

## Section 1: 10-Q (10-Q)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

### FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-54376

### STRATEGIC REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)

90-0413866  
(I.R.S. Employer Identification No.)

66 Bovet Road, Suite 100,  
San Mateo, California  
(Address of Principal Executive Offices)

94402  
(Zip Code)

(650) 343-9300  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 5, 2019, there were 10,801,141 shares of the registrant's common stock issued and outstanding.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
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**PART I**

**FINANCIAL INFORMATION**

The accompanying interim unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2019, have been prepared by Strategic Realty Trust, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2018, as filed with the SEC on March 19, 2019 (the “2018 Annual Report on Form 10-K”). The interim unaudited condensed consolidated financial statements herein should also be read in conjunction with the Notes to Condensed Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in this Quarterly Report on Form 10-Q. The results of operations for the three and six months ended June 30, 2019, are not necessarily indicative of the operating results expected for the full year. The information furnished in the Company’s accompanying unaudited condensed consolidated balance sheets and unaudited condensed consolidated statements of operations, equity, and cash flows reflects all adjustments that, in management’s opinion, are necessary for a fair presentation of the aforementioned financial statements. Such adjustments are of a normal recurring nature.

**ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except shares and per share amounts)  
(unaudited)

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Investments in real estate		
Land	\$ 15,217	\$ 15,217
Building and improvements	31,697	31,697
Tenant improvements	1,799	1,479
	48,713	48,393
Accumulated depreciation	(4,515)	(3,917)
Investments in real estate, net	44,198	44,476
Properties under development and development costs		
Land	25,851	25,851
Buildings	562	570
Development costs	15,849	13,813
Properties under development and development costs	42,262	40,234
Cash, cash equivalents and restricted cash	4,006	3,347
Prepaid expenses and other assets, net	139	137
Tenant receivables, net of \$40 and \$40 bad debt reserve	762	1,084
Investments in unconsolidated joint ventures	2,671	2,701
Lease intangibles, net	1,720	1,890
Deferred financing costs, net	421	736
<b>TOTAL ASSETS <sup>(1)</sup></b>	<b>\$ 96,179</b>	<b>\$ 94,605</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Notes payable, net	\$ 38,899	\$ 34,536
Accounts payable and accrued expenses	1,247	1,224
Amounts due to affiliates	12	30
Other liabilities	222	375
Below-market lease liabilities, net	339	370
<b>TOTAL LIABILITIES <sup>(1)</sup></b>	<b>40,719</b>	<b>36,535</b>
Commitments and contingencies (Note 12)		
<b>EQUITY</b>		
Stockholders' equity		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized; 10,801,141 and 10,863,299 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	110	110
Additional paid-in capital	94,961	95,336
Accumulated deficit	(40,734)	(38,546)
Total stockholders' equity	54,337	56,900
Non-controlling interests	1,123	1,170
<b>TOTAL EQUITY</b>	<b>55,460</b>	<b>58,070</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 96,179</b>	<b>\$ 94,605</b>

- (1) As of June 30, 2019 and December 31, 2018, includes approximately \$43.7 million and \$40.5 million, respectively, of assets related to consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and approximately \$15.6 million and \$17.3 million, respectively, of liabilities of consolidated variable interest entities for which creditors do not have recourse to the general credit of the Company. Refer to Note 4. "Variable Interest Entities".

See accompanying notes to condensed consolidated financial statements.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except shares and per share amounts)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Rental and reimbursements	\$ 939	\$ 1,834	\$ 1,883	\$ 3,587
<b>Expense:</b>				
Operating and maintenance	586	615	856	1,265
General and administrative	396	449	795	896
Depreciation and amortization	378	341	755	699
Transaction expense	—	30	—	32
Interest expense	130	249	319	520
	<u>1,490</u>	<u>1,684</u>	<u>2,725</u>	<u>3,412</u>
<b>Operating income (loss)</b>	<b>(551)</b>	<b>150</b>	<b>(842)</b>	<b>175</b>
<b>Other income (loss):</b>				
Equity in loss of unconsolidated joint ventures	(15)	(43)	(35)	(45)
Net gain on disposal of real estate	13	2,448	13	2,448
Income (loss) before income taxes	(553)	2,555	(864)	2,578
Income taxes	(44)	(24)	(44)	(24)
<b>Net income (loss)</b>	<b>(597)</b>	<b>2,531</b>	<b>(908)</b>	<b>2,554</b>
Net income (loss) attributable to non-controlling interests	(12)	53	(19)	54
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ (585)</b>	<b>\$ 2,478</b>	<b>\$ (889)</b>	<b>\$ 2,500</b>
<b>Earnings (loss) per common share - basic and diluted</b>	<b>\$ (0.05)</b>	<b>\$ 0.23</b>	<b>\$ (0.08)</b>	<b>\$ 0.23</b>
<b>Weighted average shares outstanding used to calculate earnings (loss) per common share - basic and diluted</b>	<b>10,839,065</b>	<b>10,977,718</b>	<b>10,850,842</b>	<b>10,982,892</b>

See accompanying notes to condensed consolidated financial statements.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(in thousands, except shares)  
(unaudited)

**Six Months Ended June 30, 2019 and 2018**

	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Non- controlling Interests	Total Equity
<b>BALANCE — December 31, 2018</b>	10,863,299	\$ 110	\$ 95,336	\$ (38,546)	\$ 56,900	\$ 1,170	\$ 58,070
Redemption of common shares	(62,158)	—	(375)	—	(375)	—	(375)
Quarterly distributions	—	—	—	(1,299)	(1,299)	(28)	(1,327)
Net loss	—	—	—	(889)	(889)	(19)	(908)
<b>BALANCE — June 30, 2019</b>	<u>10,801,141</u>	<u>\$ 110</u>	<u>\$ 94,961</u>	<u>\$ (40,734)</u>	<u>\$ 54,337</u>	<u>\$ 1,123</u>	<u>\$ 55,460</u>
<b>BALANCE — December 31, 2017</b>	10,988,438	\$ 111	\$ 96,097	\$ (44,741)	\$ 51,467	\$ 1,051	\$ 52,518
Redemption of common shares	(25,022)	—	(157)	—	(157)	—	(157)
Quarterly distributions	—	—	—	(1,317)	(1,317)	(28)	(1,345)
Cumulative effect from change in accounting principle	—	—	—	668	668	—	668
Net income	—	—	—	2,500	2,500	54	2,554
<b>BALANCE — June 30, 2018</b>	<u>10,963,416</u>	<u>\$ 111</u>	<u>\$ 95,940</u>	<u>\$ (42,890)</u>	<u>\$ 53,161</u>	<u>\$ 1,077</u>	<u>\$ 54,238</u>

**Three Months Ended June 30, 2019 and 2018**

	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Non- controlling Interests	Total Equity
<b>BALANCE — March 31, 2019</b>	10,842,444	\$ 110	\$ 95,210	\$ (39,501)	\$ 55,819	\$ 1,149	\$ 56,968
Redemption of common shares	(41,303)	—	(249)	—	(249)	—	(249)
Quarterly distributions	—	—	—	(648)	(648)	(14)	(662)
Net loss	—	—	—	(585)	(585)	(12)	(597)
<b>BALANCE — June 30, 2019</b>	<u>10,801,141</u>	<u>\$ 110</u>	<u>\$ 94,961</u>	<u>\$ (40,734)</u>	<u>\$ 54,337</u>	<u>\$ 1,123</u>	<u>\$ 55,460</u>
<b>BALANCE — March 31, 2018</b>	10,978,126	\$ 111	\$ 96,032	\$ (44,710)	\$ 51,433	\$ 1,038	\$ 52,471
Redemption of common shares	(14,710)	—	(92)	—	(92)	—	(92)
Quarterly distributions	—	—	—	(658)	(658)	(14)	(672)
Net income	—	—	—	2,478	2,478	53	2,531
<b>BALANCE — June 30, 2018</b>	<u>10,963,416</u>	<u>\$ 111</u>	<u>\$ 95,940</u>	<u>\$ (42,890)</u>	<u>\$ 53,161</u>	<u>\$ 1,077</u>	<u>\$ 54,238</u>

See accompanying notes to condensed consolidated financial statements.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (908)	\$ 2,554
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Net gain on disposal of real estate	(13)	(2,448)
Equity in loss of unconsolidated joint ventures	35	45
Straight-line rent	(50)	(70)
Amortization of deferred costs	315	292
Depreciation and amortization	755	699
Amortization of above and below-market leases	(10)	(29)
Bad debt expense	309	39
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses and other assets	(2)	(69)
Tenant receivables	63	316
Accounts payable and accrued expenses	(82)	(47)
Amounts due to affiliates	(18)	—
Other liabilities	(153)	(80)
Net cash provided by operating activities	241	1,202
<b>Cash flows from investing activities:</b>		
Net proceeds from the sale of real estate	13	3,928
Investment in properties under development and development costs	(1,674)	(2,180)
Improvements, capital expenditures, and leasing costs	(328)	(126)
Investments in unconsolidated joint ventures	(38)	(77)
Distributions from unconsolidated joint ventures	33	111
Net cash provided by (used in) investing activities	(1,994)	1,656
<b>Cash flows from financing activities:</b>		
Redemption of common shares	(375)	(157)
Quarterly distributions	(1,331)	(1,346)
Proceeds from notes payable	14,811	4,100
Repayment of notes payable	(10,250)	(4,978)
Payment of loan fees from investments in consolidated variable interest entities	(443)	(377)
Payment of loan fees and financing costs	—	(13)
Net cash provided by (used in) financing activities	2,412	(2,771)
Net increase in cash, cash equivalents and restricted cash	659	87
Cash, cash equivalents and restricted cash – beginning of period	3,347	3,902
Cash, cash equivalents and restricted cash – end of period	\$ 4,006	\$ 3,989
<b>Supplemental disclosure of non-cash investing and financing activities and other cash flow information:</b>		
Distributions declared but not paid	\$ 662	\$ 672
Change in accrued liabilities capitalized to investment in development	128	(256)
Change to accrued mortgage note payable interest capitalized to investment in development	(11)	(5)
Amortization of deferred loan fees capitalized to investment in development	245	268
Changes in capital improvements, accrued but not paid	—	502
Cumulative effect from change in accounting principle	—	668
Cash paid for interest, net of amounts capitalized	29	222

See accompanying notes to condensed consolidated financial statements.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. ORGANIZATION AND BUSINESS**

Strategic Realty Trust, Inc. (the “Company”) was formed on September 18, 2008, as a Maryland corporation. Effective August 22, 2013, the Company changed its name from TNP Strategic Retail Trust, Inc. to Strategic Realty Trust, Inc. The Company believes it qualifies as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), and has elected REIT status beginning with the taxable year ended December 31, 2009, the year in which the Company began material operations.

Since the Company’s inception, its business has been managed by an external advisor. The Company has no direct employees and all management and administrative personnel responsible for conducting the Company’s business are employed by its advisor. Currently, the Company is externally managed and advised by SRT Advisor, LLC, a Delaware limited liability company (the “Advisor”) pursuant to an advisory agreement with the Advisor (the “Advisory Agreement”) initially executed on August 10, 2013, and subsequently renewed every year through 2019. The current term of the Advisory Agreement terminates on August 9, 2020. The Advisor is an affiliate of Glenborough, LLC (together with its affiliates, “Glenborough”), a privately held full-service real estate investment and management company focused on the acquisition, management and leasing of commercial properties.

Substantially all of the Company’s business is conducted through Strategic Realty Operating Partnership, L.P. (the “OP”). During the Company’s initial public offering (“Offering”), as the Company accepted subscriptions for shares of its common stock, it transferred substantially all of the net proceeds of the Offering to the OP as a capital contribution. The Company is the sole general partner of the OP. As of both June 30, 2019 and December 31, 2018, the Company owned 97.9% of the limited partnership interests in the OP.

The Company’s principal demand for funds has been for the acquisition of real estate assets, the payment of operating expenses, interest on outstanding indebtedness, the payment of distributions to stockholders, and investments in unconsolidated joint ventures as well as development of properties. Substantially all of the proceeds of the completed Offering have been used to fund investments in real properties and other real estate-related assets, for payment of operating expenses, for payment of interest, for payment of various fees and expenses, such as acquisition fees and management fees, and for payment of distributions to stockholders. The Company’s available capital resources, cash and cash equivalents on hand and sources of liquidity are currently limited. The Company expects its future cash needs will be funded using cash from operations, future asset sales, debt financing and the proceeds to the Company from any sale of equity that it may conduct in the future.

The Company invests in and manages a portfolio of income-producing retail properties, located in the United States, real estate-owning entities and real estate-related assets. The Company has invested directly, and indirectly through joint ventures, in a portfolio of income-producing retail properties located throughout the United States, with a focus on grocery anchored multi-tenant retail centers, including neighborhood, community and lifestyle shopping centers, multi-tenant shopping centers and free standing single-tenant retail properties. During the first quarter of 2016, the Company invested, through joint ventures, in two significant retail projects under development.

As of June 30, 2019, in addition to the development projects, the Company’s portfolio of properties was comprised of 8 properties, with approximately 86,000 rentable square feet of retail space located in two states. As of June 30, 2019, the rentable space at the Company’s retail properties was 90% leased.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation and Basis of Presentation***

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as contained within the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”), including the instructions to Form 10-Q and Regulation S-X.

The interim unaudited condensed consolidated financial statements include the accounts of the Company, the OP, their direct and indirect owned subsidiaries, and the accounts of joint ventures that are determined to be variable interest entities for which the Company is the primary beneficiary. All significant intercompany balances and transactions are eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company’s condensed consolidated financial position, results of operations and cash flows have been included.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The Company evaluates the need to consolidate joint ventures and variable interest entities based on standards set forth in ASC Topic 810, *Consolidation* (“ASC 810”). In determining whether the Company has a controlling interest in a joint venture or a variable interest entity and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions and contractual and substantive participating rights of the partners/members, as well as whether the entity is a variable interest entity for which the Company is the primary beneficiary. As of June 30, 2019 and December 31, 2018, the Company held ownership interests in two unconsolidated joint ventures. Refer to Note 3. “Investments in Unconsolidated Joint Ventures” for additional information. As of June 30, 2019 and December 31, 2018, the Company held variable interests in two variable interest entities and consolidated those entities. Refer to Note 4. “Variable Interest Entities” for additional information.

#### ***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents represent current bank accounts and other bank deposits free of encumbrances and having maturity dates of three months or less from the respective dates of deposit. The Company limits cash investments to financial institutions with high credit standing; therefore, the Company believes it is not exposed to any significant credit risk in cash.

Restricted cash includes escrow accounts for real property taxes, insurance, capital expenditures and tenant improvements, debt service and leasing costs held by lenders.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the consolidated balance sheets that sum to the total of the same such amounts shown on the consolidated statement of cash flows (amounts in thousands):

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 2,971	\$ 3,347
Restricted cash	1,035	—
Total cash, cash equivalents, and restricted cash	<u>\$ 4,006</u>	<u>\$ 3,347</u>

#### ***Recent Accounting Pronouncements***

The FASB issued the following ASUs which could have potential impact to the Company’s condensed consolidated financial statements:

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures upon issuance of ASU 2018-13 and delayed adoption of the additional disclosures until the effective date. The adoption of ASU 2018-13 will not have an impact on the Company’s condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (“ASU 2016-13”). ASU 2016-13 requires a financial asset, measured at amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. Adjustments resulting from adopting ASU 2016-13 shall be applied through a cumulative-effect adjustment to retained earnings. The adoption of ASU 2016-13 will not have an impact on the Company’s condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 requires entities to recognize lease assets and lease liabilities on the consolidated balance sheet and disclose key information about leasing arrangements. The guidance retains a distinction between finance leases and operating leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under Accounting Standards Codification (“ASC”) 840. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using the modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply under ASC 842. The amendments in this guidance are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASU 2016-02 (as amended by subsequent ASUs) effective January 1, 2019 utilizing the practical expedients described in ASU 2018-11. The Company has elected the lessor practical expedient to not separate common area maintenance and reimbursement of real estate taxes from the associated lease for all existing and

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

new leases as the timing and pattern of payments and associated lease payments are the same. The timing of revenue recognition remains the same for the Company's existing leases and new leases. Revenues related to the Company's leases continue to be reported on one line in the presentation within the statement of operations as a result of electing this lessor practical expedient. The Company continues to capitalize its direct leasing costs. These costs are incurred as a result of obtaining new leases, and renewing leases, and are paid to the Company's Advisor. Additionally, the Company is not a lessee of real estate or equipment, as it is externally managed by its Advisor.

### 3. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The following table summarizes the Company's investments in unconsolidated joint ventures as of June 30, 2019 and December 31, 2018 (amounts in thousands):

Joint Venture	Date of Investment	Ownership Interest		Investment	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
SGO Retail Acquisitions Venture, LLC	3/11/2015	19%	19%	\$ 1,136	\$ 1,128
SGO MN Retail Acquisitions Venture, LLC	9/30/2015	10%	10%	1,535	1,573
<b>Total</b>				<b>\$ 2,671</b>	<b>\$ 2,701</b>

The Company's off-balance sheet arrangements consist primarily of investments in the joint ventures as set forth in the table above. The joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint ventures' debts are secured by a first mortgage, are without recourse to the joint venture members, and do not represent a liability of the members other than carve-out guarantees for certain matters such as environmental conditions, misuse of funds and material misrepresentations. As of June 30, 2019 and December 31, 2018, the Company has provided carve-out guarantees in connection with the two aforementioned unconsolidated joint ventures; in connection with those carve-out guarantees, the Company has certain rights of recovery from the joint venture members.

### 4. VARIABLE INTEREST ENTITIES

The Company has variable interests in, and is the primary beneficiary of, variable interest entities ("VIEs") through its investments in (i) the Sunset & Gardner Joint Venture (formerly known as Gelson's Joint Venture) and (ii) the 3032 Wilshire Joint Venture (both defined below). The Company has consolidated the accounts of these variable interest entities.

Through June 30, 2019, post the initial capital contributions, the Company made additional capital contributions totaling \$5.9 million and \$6.5 million to the Sunset & Gardner Joint Venture and Wilshire Joint Venture, respectively.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following reflects the aggregate assets and liabilities of the Sunset & Gardner Joint Venture and the Wilshire Joint Venture, which were consolidated by the Company, as of June 30, 2019 and December 31, 2018 (amounts in thousands):

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
Properties under development and development costs:		
Land	\$ 25,851	\$ 25,851
Buildings	562	570
Development costs	15,849	13,813
Properties under development and development costs	42,262	40,234
Cash, cash equivalents and restricted cash	1,392	276
Prepaid expenses and other assets, net	42	9
Lease intangibles, net	4	4
<b>TOTAL ASSETS <sup>(1)</sup></b>	<b>\$ 43,700</b>	<b>\$ 40,523</b>
<b>LIABILITIES</b>		
Notes payable, net <sup>(2)</sup>	\$ 15,329	\$ 17,166
Accounts payable and accrued expenses	249	132
Amounts due to affiliates	—	8
Other liabilities	9	9
<b>TOTAL LIABILITIES</b>	<b>\$ 15,587</b>	<b>\$ 17,315</b>

(1) The assets of the Sunset & Gardner Joint Venture and Wilshire Joint Venture can be used only to settle obligations of the respective consolidated joint ventures.

(2) As of June 30, 2019 and December 31, 2018, includes reclassification of approximately \$0.5 million and \$0.3 million, respectively, of deferred financing costs, net, as a contra-liability. The creditors of the consolidated joint ventures do not have recourse to the general credit of the Company. The notes payable of the Wilshire Joint Venture is partially guaranteed by the Company, refer to Note 7, "Notes Payable, Net". The notes payable of the Sunset & Gardner Joint Venture is not guaranteed by the Company.

## 5. LEASES

### *Operating Leases*

The Company's real estate properties are leased to tenants under operating leases for which the terms and expirations vary. As of June 30, 2019, the leases at the Company's properties have remaining terms (excluding options to extend) of up to 12.4 years with a weighted-average remaining term (excluding options to extend) of approximately 5.4 years. The leases may have provisions to extend the lease agreements, options for early termination after paying a specified penalty, rights of first refusal to purchase the property at competitive market rates, and other terms and conditions as negotiated. The Company retains substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Generally, upon the execution of a lease, the Company requires security deposits from tenants in the form of a cash deposit and/or a letter of credit. Amounts required as security deposits vary depending upon the terms of the respective leases and the creditworthiness of the tenant, but generally are not significant amounts. Therefore, exposure to credit risk exists to the extent that a receivable from a tenant exceeds the amount of its security deposit. Security deposits received in cash related to tenant leases are included in other liabilities in the accompanying condensed consolidated balance sheets and totaled approximately \$0.2 million as of both June 30, 2019 and December 31, 2018.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following table presents the components of income from real estate operations for the three and six months ended June 30, 2019 (amounts in thousands):

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>
Lease income - operating leases	\$ 719	\$ 1,421
Variable lease income <sup>(1)</sup>	220	462
Rental and reimbursements income	<u>\$ 939</u>	<u>\$ 1,883</u>

(1) Primarily includes tenant reimbursements for real estate taxes, insurance and common area maintenance.

As of June 30, 2019, the future minimum rental income from the Company's properties under non-cancelable operating leases was as follows (amounts in thousands):

Remainder of 2019	\$ 1,398
2020	2,625
2021	2,365
2022	2,353
2023	2,316
Thereafter	7,750
Total	<u>\$ 18,807</u>

**6. LEASE INTANGIBLES AND BELOW-MARKET LEASE LIABILITIES, NET**

As of June 30, 2019 and December 31, 2018, the Company's acquired lease intangibles and below-market lease liabilities were as follows (amounts in thousands):

	<b>Lease Intangibles</b>		<b>Below-Market Lease Liabilities</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cost	\$ 3,038	\$ 3,030	\$ (526)	\$ (526)
Accumulated amortization	(1,318)	(1,140)	187	156
Total	<u>\$ 1,720</u>	<u>\$ 1,890</u>	<u>\$ (339)</u>	<u>\$ (370)</u>

The Company's amortization of lease intangibles and below-market lease liabilities for the three and six months ended June 30, 2019 and 2018, were as follows (amounts in thousands):

	<b>Lease Intangibles</b>		<b>Below-Market Lease Liabilities</b>	
	<b>Three Months Ended June 30,</b>		<b>Three Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Amortization	\$ (90)	\$ (75)	\$ 16	\$ 16

	<b>Lease Intangibles</b>		<b>Below-Market Lease Liabilities</b>	
	<b>Six Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Amortization	\$ (178)	\$ (158)	\$ 32	\$ 33

**7. NOTES PAYABLE, NET**

**Line of Credit**

The Company's line of credit is a revolving credit facility with an initial maximum aggregate commitment of \$30.0 million. Effective February 15,

2017, the Company's line of credit was refinanced to increase the maximum aggregate commitment under the credit facility from \$30.0 million to \$60.0 million. The credit facility matures on February 15, 2020.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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Each loan made pursuant to the credit facility will be either a LIBOR loan or a base rate loan, at the election of the Company, plus an applicable margin, as defined. Monthly payments are interest only with the entire principal balance and all outstanding interest due at maturity. The Company will pay the lender an unused commitment fee, quarterly in arrears, which will accrue at 0.30% per annum, if the usage under the Company's line of credit is less than or equal to 50% of the line of credit amount, and 0.20% per annum if the usage under the Company's line of credit is greater than 50% of the line of credit amount. The Company is providing a guaranty of all of its obligations under the Company's line of credit and all other loan documents.

As of June 30, 2019 and December 31, 2018, the Company's line of credit had an outstanding principal balance of \$23.6 million and \$17.4 million, respectively. As of June 30, 2019 and December 31, 2018, the Company's line of credit was secured by Topaz Marketplace, 8 Octavia Street, 400 Grove Street, the Fulton Shops, 450 Hayes, 388 Fulton, Silver Lake, and The Shops at Turkey Creek.

***Loans Secured by Properties Under Development***

On May 7, 2019, the Company refinanced and repaid its current financing (outstanding balance of \$8.8 million at the time of refinancing) with a new construction loan from ReadyCap Commercial, LLC (the "Lender") (the "Wilshire Construction Loan"). As of June 30, 2019, the Wilshire Construction Loan has a principal balance of approximately \$7.1 million, with future funding availability up to a total of approximately \$13.9 million, and bears an interest rate of 1-month LIBOR plus an interest margin of 4.25% per annum, payable monthly. The Wilshire Loan is scheduled to mature on May 10, 2022, with options to extend for two additional twelve-month periods, subject to certain conditions as stated in the loan agreement. The Wilshire Construction Loan is secured by a first Deed of Trust on the property. The Company executed a guaranty that guaranties that the loan interest reserve amounts are kept in compliance with the terms of the loan agreement. The Lender also required that a principal in the upstream owner of the Company's joint venture partner in the Wilshire Joint Venture (the "Guarantor"), guarantees performance of borrower's obligations under the loan agreement with respect to the completion of capital improvements to the property. The Company executed an Indemnity Agreement in favor of the Guarantor against liability under that completion guaranty except to the extent caused by gross negligence or willful misconduct, as well as for liabilities incurred under the Environmental Indemnity Agreement executed by the Guarantor in favor of the Lender. The Company used working capital funds of approximately \$3.1 million to repay the difference between the new construction loan initial advance and the prior loan, to pay transaction costs, as well as to fund certain required interest and construction reserves.

On October 29, 2018, the Company refinanced and repaid its initial financing with a new loan from Lone Oak Fund LLC (the "Sunset & Gardner Loan"). The Sunset & Gardner Loan has a principal balance of approximately \$8.7 million, and bears an interest rate of 6.9% per annum. The Sunset & Gardner Loan is scheduled to mature on October 31, 2019. The Company intends to explore all available financing options prior to the loan's maturity date. The Sunset & Gardner Loan is secured by a first Deed of Trust on the property.

The following is a schedule of future principal payments for all of the Company's notes payable outstanding as of June 30, 2019 (amounts in thousands):

Remainder of 2019	\$	8,700
2020		23,570
2021		—
2022		7,111
Total <sup>(1)</sup>	\$	<u>39,381</u>

(1) Total future principal payments reflect actual amounts due to creditors, and excludes reclassification of \$0.5 million deferred financing costs, net.

During the three months ended June 30, 2019, the Company incurred and expensed approximately \$0.1 million of interest costs, which primarily consisted of amortization of deferred financing costs. During the three months ended June 30, 2018, the Company incurred and expensed approximately \$0.2 million of interest costs, which included amortization of deferred financing costs of approximately \$0.1 million. Also during the three months ended June 30, 2019 and 2018, the Company incurred and capitalized approximately \$0.8 million and \$1.0 million, respectively, of interest expense related to the variable interest entities, which included amortization of deferred financing costs of approximately \$0.2 million for each period.

During the six months ended June 30, 2019, the Company incurred and expensed approximately \$0.3 million of interest costs, which primarily consisted of amortization of deferred financing costs. During the six months ended June 30, 2018, the Company incurred and expensed approximately \$0.5 million of interest costs, which included the amortization of deferred financing costs of approximately \$0.3 million. Also during the six months ended June 30, 2019 and 2018, the Company incurred and capitalized approximately \$1.4 million and \$1.9 million, respectively, of interest expense related to the variable

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
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interest entities, which included amortization of deferred financing costs of approximately \$0.2 million and \$0.3 million, respectively, for each period.

As of both June 30, 2019 and December 31, 2018, interest expense payable was approximately \$0.2 million, including an amount related to the variable interest entities of approximately \$0.1 million, for each period.

## **8. FAIR VALUE DISCLOSURES**

Certain financial assets and liabilities are measured at fair value on a recurring basis. The Company determines fair value using the following hierarchy:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available for inputs that are significant to the fair value measurement.

The Company believes the total carrying values reflected on its condensed consolidated balance sheets for cash, cash equivalents and restricted cash, accounts receivable, accounts payable and accrued expenses, amounts due to affiliates, mortgage loan and construction loan secured by properties under development, and the Company's line of credit reasonably approximated their fair values at June 30, 2019.

As part of the Company's ongoing evaluation of the Company's real estate portfolio, the Company estimates the fair value of its investments in real estate by obtaining outside independent appraisals on all of the operating properties. The appraised values are compared with the carrying values of its real estate portfolio to determine if there are indications of impairment.

For both the three and six months ended June 30, 2019 and 2018, the Company did not record any impairment losses.

## **9. EQUITY**

### ***Share Redemption Program***

On April 1, 2015, the Company's board of directors approved the reinstatement of the share redemption program (which had been suspended since January 15, 2013) and adopted the SRP. Under the SRP, only shares submitted for repurchase in connection with the death or "qualifying disability" (as defined in the SRP) of a stockholder are eligible for repurchase by the Company. Under the current SRP, as amended to date, the number of shares to be redeemed is limited to the lesser of (i) a total of \$3.5 million for redemptions sought upon a stockholder's death and a total of \$1.0 million for redemptions sought upon a stockholder's qualifying disability, and (ii) 5% of the weighted-average number of shares of the Company's common stock outstanding during the prior calendar year. Share repurchases pursuant to the SRP are made at the sole discretion of the Company. The Company reserves the right to reject any redemption request for any reason or no reason or to amend or terminate the share redemption program at any time subject to the notice requirements in the SRP.

The redemption price for shares that are redeemed is 100% of the Company's most recent estimated net asset value per share as of the applicable redemption date. A redemption request must be made within one year after the stockholder's death or disability.

The SRP provides that any request to redeem less than \$5,000 worth of shares will be treated as a request to redeem all of the stockholder's shares. If the Company cannot honor all redemption requests received in a given quarter, all requests, including death and disability redemptions, will be honored on a pro rata basis. If the Company does not completely satisfy a redemption request in one quarter, it will treat the unsatisfied portion as a request for redemption in the next quarter when funds are available for redemption, unless the request is withdrawn. The Company may increase or decrease the amount of funding available for redemptions under the SRP on ten business days' notice to stockholders. Shares submitted for redemption during any quarter will be redeemed on the penultimate business day of such quarter. The record date for quarterly distributions has historically been and is expected to continue to be the last business day of each quarter; therefore, shares that are redeemed during any quarter are expected to be redeemed prior to the record date and thus would not be eligible to receive the distribution declared for such quarter.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following table summarizes share redemption activity during the three and six months ended June 30, 2019 and 2018 (amounts in thousands, except shares):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Shares of common stock redeemed	41,303	14,710	62,158	25,022
Purchase price	\$ 249	\$ 92	\$ 375	\$ 157

As stated above, cumulatively, through June 30, 2019, pursuant to the Original Share Redemption Program and the SRP, the Company has redeemed 799,412 shares sold in the Offering and/or its dividend reinvestment plan for \$5.7 million.

#### *Quarterly Distributions*

In order to qualify as a REIT, the Company is required to distribute at least 90% of its annual REIT taxable income, subject to certain adjustments, to its stockholders. Some or all of the Company's distributions have been paid, and in the future may continue to be paid from sources other than cash flows from operations.

Under the terms of the amended credit facility, the Company may pay distributions to its investors so long as the total amount paid does not exceed 100% of the cumulative Adjusted Funds From Operations plus up to an additional \$2.0 million of the Company's net proceeds from property dispositions, as defined in the amended Company's line of credit; provided, however, that the Company is not restricted from making any distributions necessary in order to maintain its status as a REIT. The Company's board of directors evaluates the Company's ability to make quarterly distributions based on the Company's operational cash needs.

The following tables set forth the quarterly distributions declared to the Company's common stockholders and Common Unit holders for the six months ended June 30, 2019, and the year ended 2018 (amounts in thousands, except per share amounts):

	Distribution Record Date	Distribution Payable Date	Distribution Per Share of Common Stock / Common Unit	Total Common Stockholders Distribution	Total Common Unit Holders Distribution	Total Distribution
First Quarter 2019	3/31/2019	4/30/2019	\$ 0.06	\$ 651	\$ 14	\$ 665
Second Quarter 2019	6/30/2019	7/31/2019	0.06	648	14	662
<b>Total</b>				<b>\$ 1,299</b>	<b>\$ 28</b>	<b>\$ 1,327</b>

	Distribution Record Date	Distribution Payable Date	Distribution Per Share of Common Stock / Common Unit	Total Common Stockholders Distribution	Total Common Unit Holders Distribution	Total Distribution
First Quarter 2018	3/31/2018	4/30/2018	\$ 0.06	\$ 659	\$ 14	\$ 673
Second Quarter 2018	6/30/2018	7/31/2018	0.06	658	14	672
Third Quarter 2018	9/30/2018	10/31/2018	0.06	656	14	670
Fourth Quarter 2018	12/31/2018	1/31/2019	0.06	652	14	666
<b>Total</b>				<b>\$ 2,625</b>	<b>\$ 56</b>	<b>\$ 2,681</b>

#### **10. EARNINGS PER SHARE**

EPS is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during each period. Diluted EPS is computed after adjusting the basic EPS computation for the effect of potentially dilutive securities outstanding during the period. The effect of non-vested shares, if dilutive, is computed using the treasury stock method. The Company applies the two-class method for determining EPS as its outstanding shares of non-vested restricted stock are considered participating securities as dividend payments are not forfeited even if the underlying award does not vest. There was no unvested stock as of June 30, 2019. The Company's excess of distributions over earnings

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related to participating securities are shown as a reduction in income (loss) attributable to common stockholders in the Company's computation of EPS.

The following table sets forth the computation of the Company's basic and diluted earnings (loss) per share for the three and six months ended June 30, 2019 and 2018 (amounts in thousands, except shares and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Numerator - basic and diluted</b>				
Net income (loss)	\$ (597)	\$ 2,531	\$ (908)	\$ 2,554
Net income (loss) attributable to non-controlling interests	(12)	53	(19)	54
Net income (loss) attributable to common shares	\$ (585)	\$ 2,478	\$ (889)	\$ 2,500
<b>Denominator - basic and diluted</b>				
Basic weighted average common shares	10,839,065	10,977,718	10,850,842	10,982,892
Common Units <sup>(1)</sup>	—	—	—	—
Diluted weighted average common shares	10,839,065	10,977,718	10,850,842	10,982,892
<b>Earnings (loss) per common share - basic and diluted</b>				
Net earnings (loss) attributable to common shares	\$ (0.05)	\$ 0.23	\$ (0.08)	\$ 0.23

- (1) The effect of 235,194 convertible Common Units pursuant to the redemption rights outlined in the Company's registration statement on Form S-11 have not been included as they would not be dilutive.

#### 11. RELATED PARTY TRANSACTIONS

On August 7, 2013, the Company entered into the Advisory Agreement with the Advisor, which has been renewed for successive terms with a current expiration date of August 9, 2020. The Advisor manages the Company's business as the Company's external advisor pursuant to the Advisory Agreement. Pursuant to the Advisory Agreement, the Company will pay the Advisor specified fees for services related to the investment of funds in real estate and real estate-related investments, management of the Company's investments and for other services.

On March 11, 2015, the Company, through a wholly-owned subsidiary, entered into the Limited Liability Company Agreement of SGO Retail Acquisitions Venture, LLC to form the SGO Joint Venture. On September 30, 2015, the Company, through wholly-owned subsidiaries, entered into the Limited Liability Company Agreement of SGO MN Retail Acquisitions Venture, LLC to form the SGO MN Joint Venture. For additional information regarding the SGO Joint Venture and the SGO MN Joint Venture, refer to Note 3. "Investments in Unconsolidated Joint Ventures."

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

**Summary of Related Party Fees**

The following table sets forth the Advisor related party costs incurred and payable by the Company for the periods presented (amounts in thousands):

Expensed	Incurred				Payable as of	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
	2019	2018	2019	2018	2019	2018
Financing coordination fees	\$ —	\$ 30	\$ —	\$ 30	\$ —	\$ —
Asset management fees	160	188	317	379	—	—
Reimbursement of operating expenses	11	36	22	81	—	—
Property management fees	36	67	66	147	12	30
Disposition fees	—	52	—	54	—	—
Total	\$ 207	\$ 373	\$ 405	\$ 691	\$ 12	\$ 30
<b>Capitalized</b>						
Acquisition fees	\$ 36	\$ 18	\$ 42	\$ 46	\$ —	\$ —
Leasing fees	—	2	—	4	—	—
Legal leasing fees	—	3	—	8	—	—
Construction management fees	—	4	—	5	—	—
Financing coordination fees	70	97	70	182	—	—
Total	\$ 106	\$ 124	\$ 112	\$ 245	\$ —	\$ —

*Acquisition Fees*

Under the Advisory Agreement, the Advisor is entitled to receive an acquisition fee equal to 1% of (1) the cost of each investment acquired directly by the Company or (2) the Company's allocable cost of an investment acquired pursuant to a joint venture, in each case including purchase price, acquisition expenses and any debt attributable to such investments. An acquisition fee is capitalized by the Company when the related transaction does not qualify as a business combination; otherwise an acquisition fee is expensed.

*Financing Coordination Fees*

Under the Advisory Agreement, the Advisor is entitled to receive a financing coordination fee equal to 1% of the amount made available and/or outstanding under any (1) financing obtained or assumed, directly or indirectly, by the Company or the OP and used to acquire or originate investments, or (2) the refinancing of any financing obtained or assumed, directly or indirectly, by the Company or the OP.

*Asset Management Fees*

Under the Advisory Agreement, the Advisor is entitled to receive an asset management fee equal to a monthly fee of one-twelfth (1/12th) of 0.6% of the higher of (1) aggregate cost on a GAAP basis (before non-cash reserves and depreciation) of all investments the Company owns, including any debt attributable to such investments, or (2) the fair market value of the Company's investments (before non-cash reserves and depreciation) if the board of directors has authorized the estimate of a fair market value of the Company's investments; provided, however, that the asset management fee will not be less than \$250,000 in the aggregate during any one calendar year.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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*Reimbursement of Operating Expenses*

The Company reimburses the Advisor for all expenses paid or incurred by the Advisor in connection with the services provided to the Company, subject to the limitation that the Company will not reimburse the Advisor for any amount by which the Company's total operating expenses (including the asset management fee described below) at the end of the four preceding fiscal quarters exceeded the greater of (1) 2% of its average invested assets (as defined in the Company's Articles of Amendment and Restatement (the "Charter")); or (2) 25% of its net income (as defined in the Charter) determined without reduction for any additions to depreciation, bad debts or other similar non-cash expenses and excluding any gain from the sale of the Company's assets for that period (the "2%/25% Guideline"). The Advisor is required to reimburse the Company quarterly for any amounts by which total operating expenses exceed the 2%/25% Guideline in the previous expense year that the independent directors do not approve. The Company will not reimburse the Advisor for any of its personnel costs or other overhead costs except for customary reimbursements for personnel costs under property management agreements entered into between the OP and the Advisor or its affiliates. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of the 2%/25% Guideline if a majority of the independent directors determine that such excess expenses are justified based on unusual and non-recurring factors. Pursuant to an amendment to the Advisory Agreement entered on August 2, 2018, the board of directors, including a majority of the independent directors identified certain unusual and non-recurring factors that would justify reimbursement to the Advisor of amounts in excess of the 2%/25% Guidelines and confirmed that the Advisor would not be obligated to reimburse the Company for these excess amounts to the extent the excess was caused by such factors.

For the six months ended June 30, 2019 and 2018, the Company's total operating expenses (as defined in the Charter) did not exceed the 2%/25% Guideline.

*Property Management Fees*

Under the property management agreements between the Company and Glenborough, Glenborough is entitled to receive property management fees calculated at a maximum of up to 4% of the properties' gross revenue. The property management agreements with Glenborough have been renewed for an additional 12 months, beginning on August 10, 2018. Property management agreements with Glenborough automatically renew every year, unless expressly terminated.

*Disposition Fees*

Under the Advisory Agreement, if the Advisor or its affiliates provide a substantial amount of services, as determined by the Company's independent directors, in connection with the sale of a real property, the Advisor or its affiliates may be paid disposition fees up to 50% of a customary and competitive real estate commission, but not to exceed 3% of the contract sales price of each property sold.

*Leasing Fees*

Under the property management agreements, Glenborough is entitled to receive a separate fee for the leases of new tenants, and for expansions, extensions and renewals of existing tenants in an amount not to exceed the fee customarily charged by similarly situated parties rendering similar services in the same geographic area for similar properties.

*Legal Leasing Fees*

Under the property management agreements, Glenborough is entitled to receive a market-based legal leasing fee for the negotiation and production of new leases, renewals, and amendments.

*Construction Management Fees*

In connection with the construction or repair in or about a property, the property manager is responsible for coordinating and facilitating the planning and the performance of all construction and is entitled to receive a fee equal to 5% of the hard costs for the project in question.

***Related-Party Fees Paid by the Unconsolidated Joint Ventures***

The unconsolidated joint ventures are party to certain agreements with Glenborough for services related to the investment of funds and management of the joint ventures' investments, as well as the day-to-day management, operation and maintenance of the properties owned by the joint ventures. The joint ventures pay fees to Glenborough for these services.

**STRATEGIC REALTY TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following table sets forth related-party fees paid by the unconsolidated joint ventures to Glenborough for the periods presented (amounts in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
SGO Joint Venture	\$ 120	\$ 84	\$ 177	\$ 130
SGO MN Joint Venture	194	245	317	456

The related-party amounts consist of property management, asset management, leasing commission, legal leasing, construction management fees and salary reimbursements.

## **12. COMMITMENTS AND CONTINGENCIES**

### *Economic Dependency*

The Company is dependent on the Advisor and its affiliates for certain services that are essential to the Company, including the identification, evaluation, negotiation, purchase, and disposition of real estate and real estate-related investments, management of the daily operations of the Company's real estate and real estate-related investment portfolio, and other general and administrative responsibilities. In the event that the Advisor is unable to provide such services to the Company, the Company will be required to obtain such services from other sources.

### *Environmental*

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. The Company is not aware of any environmental liability that could have a material adverse effect on its condensed consolidated financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the properties could result in future environmental liabilities.

## **13. SUBSEQUENT EVENTS**

### *Distributions*

On May 9, 2019, the Company's board of directors declared a second quarter distribution in the amount of \$0.06 per share/unit to common stockholders and holders of common units of record as of June 30, 2019. The distribution was paid on July 31, 2019.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our interim unaudited condensed consolidated financial statements and the notes thereto and the other unaudited financial data included in this Quarterly Report on Form 10-Q and in our audited consolidated financial statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission, or SEC, on March 19, 2019, which we refer to herein as our "2018 Annual Report on Form 10-K."

As used herein, the terms "we," "our," "us," and "Company" refer to Strategic Realty Trust, Inc., and, as required by context, Strategic Realty Operating Partnership, L.P., a Delaware limited partnership, which we refer to as our "operating partnership" or "OP", and to their respective subsidiaries. References to "shares" and "our common stock" refer to the shares of our common stock.

### Special Note Regarding Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs, which involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. The following are some of the risks and uncertainties, although not all of the risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- Our executive officers and certain other key real estate professionals are also officers, directors, managers, key professionals and/or holders of a direct or indirect controlling interest in our advisor. As a result, they face conflicts of interest, including conflicts created by our advisor's compensation arrangements with us and conflicts in allocating time among us and other programs and business activities.
- We are uncertain of our sources for funding our future capital needs. If we cannot obtain debt or equity financing on acceptable terms, our ability to continue to acquire real properties or other real estate-related assets, fund or expand our operations and pay distributions to our stockholders will be adversely affected.
- We depend on tenants for our revenue and, accordingly, our revenue is dependent upon the success and economic viability of our tenants. Revenues from our properties could decrease due to a reduction in tenants (caused by factors including, but not limited to, tenant defaults, tenant insolvency, early termination of tenant leases and non-renewal of existing tenant leases) and/or lower rental rates, making it more difficult for us to meet our financial obligations, including debt service and our ability to pay distributions to our stockholders.
- A significant portion of our assets are concentrated in one geographic area and in urban retail properties, any adverse economic, real estate or business conditions in this geographic area or in the urban retail market could affect our operating results and our ability to pay distributions to our stockholders.
- Our current and future investments in real estate and other real estate-related investments may be affected by unfavorable real estate market and general economic conditions, which could decrease the value of those assets and reduce the investment return to our stockholders. Revenues from our properties could decrease. Such events would make it more difficult for us to meet our debt service obligations and limit our ability to pay distributions to our stockholders.

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- Certain of our debt obligations have variable interest rates with interest and related payments that vary with the movement of LIBOR or other indices. Increases in these indices could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders.

All forward-looking statements should be read in light of the risks identified in Part I, Item 1A of our 2018 Annual Report on Form 10-K. Any of the assumptions underlying the forward-looking statements included herein could be inaccurate, and undue reliance should not be placed upon on any forward-looking statements included herein. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q, and the risk that actual results will differ materially from the expectations expressed herein will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements made after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, and the risks described in Part I, Item 1A of our 2018 Annual Report on Form 10-K, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved.

**Overview**

We are a Maryland corporation that was formed on September 18, 2008, to invest in and manage a portfolio of income-producing retail properties, located in the United States, real estate-owning entities and real estate-related assets, including the investment in or origination of mortgage, mezzanine, bridge and other loans related to commercial real estate. During the first quarter of 2016, we also invested, through joint ventures, in two significant retail projects under development. We have elected to be taxed as a real estate investment trust (“REIT”) for federal income tax purposes, commencing with the taxable year ended December 31, 2009, and we have operated and intend to continue to operate in such a manner. We own substantially all of our assets and conduct our operations through our operating partnership, of which we are the sole general partner. We also own a majority of the outstanding limited partner interests in the operating partnership.

Since our inception, our business has been managed by an external advisor. We do not have direct employees and all management and administrative personnel responsible for conducting our business are employed by our advisor. Currently we are externally managed and advised by SRT Advisor, LLC, a Delaware limited liability company (the “Advisor”) pursuant to an advisory agreement with the Advisor (the “Advisory Agreement”) initially executed on August 10, 2013, and subsequently renewed every year through 2019. The current term of the Advisory Agreement terminates on August 9, 2020. The Advisor is an affiliate of Glenborough, LLC (together with its affiliates, “Glenborough”), a privately held full-service real estate investment and management company focused on the acquisition, management and leasing of commercial properties.

**Property Portfolio**

As of June 30, 2019, our property portfolio included eight retail properties, which we refer to as “our properties” or “our portfolio,” comprising an aggregate of approximately 86,000 square feet of multi-tenant, commercial retail space located in two states. We purchased our properties for an aggregate purchase price of approximately \$51.5 million. As of both June 30, 2019 and December 31, 2018, approximately 90% of our portfolio was leased (based on rentable square footage), respectively, with a weighted-average remaining lease term of approximately 5.4 years and 5.9 years, respectively.

*(dollars in thousands)*

<b>Property Name</b>	<b>Location</b>	<b>Rentable Square Feet</b>	<b>Percent Leased <sup>(1)</sup></b>	<b>Effective Rent <sup>(2)</sup> (per Sq. Foot)</b>	<b>Date Acquired</b>	<b>Original Purchase Price <sup>(3) (4)</sup></b>
Topaz Marketplace	Hesperia, CA	43,199	100%	\$ 21.73	9/23/2011	\$ 11,880
Shops at Turkey Creek	Knoxville, TN	16,324	61%	29.59	3/12/2012	4,300
400 Grove Street	San Francisco, CA	2,000	100%	61.50	6/14/2016	2,890
8 Octavia Street	San Francisco, CA	3,640	47%	53.89	6/14/2016	2,740
Fulton Shops	San Francisco, CA	3,758	100%	57.39	7/27/2016	4,595
450 Hayes	San Francisco, CA	3,724	100%	93.08	12/22/2016	7,567
388 Fulton	San Francisco, CA	3,110	100%	66.15	1/4/2017	4,195
Silver Lake	Los Angeles, CA	10,497	100%	66.79	1/11/2017	13,300
		<u>86,252</u>				<u>\$ 51,467</u>

- (1) Percentage is based on leased rentable square feet of each property as of June 30, 2019.
- (2) Effective rent per square foot is calculated by dividing the annualized June 2019 contractual base rent by the total square feet occupied at the property. The contractual base rent does not include other items such as tenant concessions (e.g., free rent), percentage rent, and expense recoveries.
- (3) The purchase price for Shops at Turkey Creek includes the issuance of common units in our operating partnership to the sellers.
- (4) The original purchase price for Topaz Marketplace was reduced to reflect a pad sale during the second quarter of 2018.

### Properties Under Development

As of June 30, 2019, we had two properties under development. The properties are identified in the following table (dollar amounts in thousands):

Properties Under Development	Location	Estimated Completion Date	Estimated Expected Square Feet	Debt
Wilshire Property	Santa Monica, CA	December, 2019	12,500	\$ 7,111
Sunset & Gardner Property	Hollywood, CA	January, 2021	37,000	8,700
<b>Total</b>			<b>49,500</b>	<b>\$ 15,811</b>

### Unconsolidated Joint Ventures

As of June 30, 2019, our portfolio included investments in two unconsolidated joint ventures, which own, in aggregate, five retail centers, comprising an aggregate of approximately 494,000 square feet and located in two states.

### Results of Operations

*Comparison of the three and six months ended June 30, 2019, versus the three and six months ended June 30, 2018.*

The following table provides summary information about our results of operations for the three and six months ended June 30, 2019 and 2018 (amounts in thousands):

	Three Months Ended June 30,		\$ Change	% Change
	2019	2018		
Rental revenue and reimbursements	\$ 939	\$ 1,834	\$ (895)	(48.8)%
Operating and maintenance expenses	586	615	(29)	(4.7)%
General and administrative expenses	396	449	(53)	(11.8)%
Depreciation and amortization expenses	378	341	37	10.9 %
Transaction expense	—	30	(30)	(100.0)%
Interest expense	130	249	(119)	(47.8)%
Operating income (loss)	(551)	150	(701)	(467.3)%
Other income (loss), net	(2)	2,405	(2,407)	(100.1)%
Income taxes	(44)	(24)	(20)	83.3 %
Net income (loss)	\$ (597)	\$ 2,531	\$ (3,128)	(123.6)%

	Six Months Ended June 30,		\$ Change	% Change
	2019	2018		
Rental revenue and reimbursements	\$ 1,883	\$ 3,587	\$ (1,704)	(47.5)%
Operating and maintenance expenses	856	1,265	(409)	(32.3)%
General and administrative expenses	795	896	(101)	(11.3)%
Depreciation and amortization expenses	755	699	56	8.0 %
Transaction expense	—	32	(32)	(100.0)%
Interest expense	319	520	(201)	(38.7)%
Operating income (loss)	(842)	175	(1,017)	(581.1)%
Other income (loss), net	(22)	2,403	(2,425)	(100.9)%
Income taxes	(44)	(24)	(20)	83.3 %
Net income (loss)	\$ (908)	\$ 2,554	\$ (3,462)	(135.6)%

Our results of operations for the three and six months ended June 30, 2019, are not necessarily indicative of those expected in future periods.

### **Revenue**

The decrease in revenue during the three and six months ended June 30, 2019, compared to the same periods in 2018, was primarily due to the sales of a portion of Topaz Marketplace in June 2018, Ensenada Square in July 2018, and Florissant Marketplace in December 2018.

### **Operating and maintenance expenses**

Operating and maintenance expenses decreased during the three and six months ended June 30, 2019, when compared to the same periods in 2018, which corresponds to the decrease in revenue, partially offset by a write-off of funds deemed to be uncollectible.

### **General and administrative expenses**

General and administrative expenses decreased during the three and six months ended June 30, 2019, compared to the same periods in 2018, primarily due to lower asset management fees, lower audit fees, and lower professional tax fees all corresponding to the decrease in portfolio size.

### **Depreciation and amortization expenses**

Depreciation and amortization expenses increased during the three and six months ended June 30, 2019, compared to the same periods in 2018, primarily due to placing assets, related to Shops at Turkey Creek, back in service and resuming depreciation beginning with the third quarter of 2018, as the property no longer met certain criteria to be classified as held for sale.

### **Transaction expense**

We did not incur transaction fees during the three and six months ended June 30, 2019. Transaction expense incurred during the three and six months ended June 30, 2018, was primarily due to payment of financing fees related to the extension of a loan held by one of our unconsolidated joint ventures.

### **Interest expense**

Interest expense decreased during the three and six months ended June 30, 2019, compared to the same periods in 2018, due to decreases in debt balances as a result of using the proceeds from property disposition activities to repay debt.

### **Other income (loss), net**

Other income (loss), net for the three and six months ended June 30, 2019, primarily consisted of equity in loss resulting from our investment in unconsolidated joint ventures. Other income (loss), net for three and six months ended June 30, 2018, primarily consisted of approximately \$2.4 million related to the gain on sale of a portion of Topaz Marketplace in June 2018.

### **Income Taxes**

Income taxes for the three the six months ended June 30, 2019, consisted of various state tax payments.

### **Liquidity and Capital Resources**

Since our inception, our principal demand for funds has been for the acquisition of real estate, the payment of operating expenses and interest on our outstanding indebtedness, the payment of distributions to our stockholders and investments in unconsolidated joint ventures and development properties. On February 7, 2013, we ceased offering shares of our common stock in our primary offering and under our distribution reinvestment plan. As a result of the termination of our initial public offering, offering proceeds from the sale of our securities are not currently available to fund our cash needs. We have used and expect to continue to use debt financing, net sales proceeds and cash flow from operations to fund our cash needs.

As of June 30, 2019, our cash and cash equivalents were approximately \$3.0 million and we had \$1.0 million of restricted cash (funds held by the lenders for property taxes, insurance, tenant improvements, leasing commissions, capital expenditures, rollover reserves and other financing needs).

Our aggregate borrowings, secured and unsecured, are reviewed by our board of directors at least quarterly. Under our Articles of Amendment and Restatement, as amended, which we refer to as our “charter,” we are prohibited from borrowing in excess of 300% of the value of our net assets. Net assets for purposes of this calculation is defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities. However, we may temporarily borrow in excess of these amounts if such excess is approved by a majority of the independent directors and disclosed to stockholders in our next quarterly report, along with an explanation for such excess. As

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of June 30, 2019 and December 31, 2018, our borrowings were approximately 67.6% and 57.5%, respectively, of the carrying value of our net assets.

The following table summarizes, for the periods indicated, selected items in our condensed consolidated statements of cash flows (amounts in thousands):

	Six Months Ended June 30,		\$ Change
	2019	2018	
Net cash provided by:			
Operating activities	\$ 241	\$ 1,202	\$ (961)
Investing activities	(1,994)	1,656	(3,650)
Financing activities	2,412	(2,771)	5,183
Net increase in cash, cash equivalents and restricted cash	\$ 659	\$ 87	

#### *Cash Flows from Operating Activities*

The decrease in cash flows from operating activities was primarily due to an increase in operating losses during the six months ended June 30, 2019 as compared to the same period in 2018, which resulted from sales of properties in the second half of 2018.

#### *Cash Flows from Investing Activities*

Cash flows used in investing activities during the six months ended June 30, 2019, primarily consisted of \$1.7 million of our investments in the Wilshire and Sunset and Gardner Ventures. Cash flows provided by investing activities during the six months ended June 30, 2018, primarily consisted of proceeds from the disposition of a portion of Topaz Marketplace of approximately \$3.9 million, partially offset by our aggregate additional \$2.2 million investments in the Wilshire and Gelson's Joint Ventures.

#### *Cash Flows from Financing Activities*

Cash flows provided by financing activities during the six months ended June 30, 2019, primarily consisted of approximately \$14.8 million from construction loan proceeds and draws on our line of credit. This was partially offset by repayment of our debt balances of approximately \$10.3 million, our quarterly dividend payments of approximately \$1.3 million, and redemptions of our common stock of approximately \$0.4 million.

Cash flows used in financing activities during the six months ended June 30, 2018, primarily consisted of repayment of our debt balances and our quarterly dividend payments of approximately \$5.0 million and \$1.3 million, respectively, partially offset by proceeds of approximately \$4.1 million from draws on our line of credit.

#### *Short-term Liquidity and Capital Resources*

Our principal short-term demand for funds is for the payment of operating expenses, the payment of principal and interest on our outstanding indebtedness and distributions. To date, our cash needs for operations have been covered from cash provided by property operations, the sales of properties and the sale of shares of our common stock. We may fund our short-term operating cash needs from operations, from the sales of properties and from debt.

#### *Long-term Liquidity and Capital Resources*

On a long-term basis, our principal demand for funds will be for real estate and real estate-related investments and the payment of acquisition-related expenses, operating expenses, distributions to stockholders, future redemptions of shares and interest and principal payments on current and future indebtedness. Generally, we intend to meet cash needs for items other than acquisitions and acquisition-related expenses from our cash flow from operations, debt and sales of properties. On a long-term basis, we expect that substantially all cash generated from operations will be used to pay distributions to our stockholders after satisfying our operating expenses including interest and principal payments. We may consider future public offerings or private placements of equity. Refer to Note 7. "Notes Payable, Net" to our interim unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information on the maturity dates and terms of our outstanding indebtedness.

## **Loans Secured by Properties Under Development**

On May 7, 2019, we refinanced and repaid our current financing (outstanding balance of \$8.8 million at the time of refinancing) with a new construction loan from ReadyCap Commercial, LLC (the “Lender”) (the “Wilshire Construction Loan”). As of June 30, 2019, the Wilshire Construction Loan has a principal balance of approximately \$7.1 million, with future funding availability up to a total of approximately \$13.9 million, and bears an interest rate of 1-month LIBOR plus an interest margin of 4.25% per annum, payable monthly. The Wilshire Loan is scheduled to mature on May 10, 2022, with options to extend for two additional twelve-month periods, subject to certain conditions as stated in the loan agreement. The Wilshire Construction Loan is secured by a first Deed of Trust on the property. We executed a guaranty that guaranties that the loan interest reserve amounts are kept in compliance with the terms of the loan agreement. The Lender also required that a principal in the upstream owner of our joint venture partner in the Wilshire Joint Venture (the “Guarantor”), guarantees performance of borrower’s obligations under the loan agreement with respect to the completion of capital improvements to the property. We executed an Indemnity Agreement in favor of the Guarantor against liability under that completion guaranty except to the extent caused by gross negligence or willful misconduct, as well as for liabilities incurred under the Environmental Indemnity Agreement executed by the Guarantor in favor of the Lender. We used working capital funds of approximately \$3.1 million to repay the difference between the new construction loan initial advance and the prior loan, to pay transaction costs, as well as to fund certain required interest and construction reserves.

On October 29, 2018, we refinanced and repaid our initial financing with a new loan from Lone Oak Fund LLC (the “Sunset & Gardner Loan”). The Sunset & Gardner Loan has a principal balance of approximately \$8.7 million, and bears an interest rate of 6.9% per annum. The Sunset & Gardner Loan is scheduled to mature on October 31, 2019. We intend to explore all available financing options prior to the loan’s maturity date. The Sunset & Gardner Loan is secured by a first Deed of Trust on the property.

## **Interim Financial Information**

The financial information as of and for the period ended June 30, 2019, included in this Quarterly Report on Form 10-Q is unaudited, but includes all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary for a fair presentation of our financial position and operating results for the three and six months ended June 30, 2019. These interim unaudited condensed consolidated financial statements do not include all disclosures required by GAAP for complete consolidated financial statements. Interim results of operations are not necessarily indicative of the results to be expected for the full year; and such results may be less favorable. Our accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our 2018 Annual Report on Form 10-K.

## **Guidelines on Total Operating Expenses**

We reimburse our Advisor for some expenses paid or incurred by our Advisor in connection with the services provided to us, except that we will not reimburse our Advisor for any amount by which our total operating expenses at the end of the four preceding fiscal quarters exceed the greater of (1) 2% of our average invested assets, as defined in our charter; and (2) 25% of our net income, as defined in our charter, or the “2%/25% Guidelines” unless a majority of our independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. For the six months ended June 30, 2019 and 2018, our total operating expenses did not exceed the 2%/25% Guidelines.

On August 2, 2018, we entered into the Sixth Amendment to the Advisory Agreement. The Advisory Agreement Amendment provides that the Advisor shall not be required to reimburse to us any operating expenses incurred during a given period that exceed the applicable limit on “Total Operating Expenses” (as defined in the Advisory Agreement) to the extent that such excess operating expenses are incurred as a result of certain unusual and non-recurring factors approved by our board of directors, including some related to the execution of our investment strategy as directed by our board of directors. These provisions were also included in the Seventh Amendment to the Advisory Agreement.

## **Inflation**

The majority of our leases at our properties contain inflation protection provisions applicable to reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. We expect to include similar provisions in our future tenant leases designed to protect us from the impact of inflation. Due to the generally long-term nature of these leases, annual rent increases, as well as rents received from acquired leases, may not be sufficient to cover inflation and rent may be below market rates.

## REIT Compliance

To qualify as a REIT for tax purposes, we are required to annually distribute at least 90% of our REIT taxable income, subject to certain adjustments, to our stockholders. We must also meet certain asset and income tests, as well as other requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which our REIT qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders.

## Quarterly Distributions

As set forth above, in order to qualify as a REIT, we are required to distribute at least 90% of our annual REIT taxable income, subject to certain adjustments, to our stockholders.

Under the terms of the credit facility, we may pay distributions to our stockholders so long as the total amount paid does not exceed certain thresholds specified in the credit facility; provided, however, that we are not restricted from making any distributions necessary in order to maintain our status as a REIT. Our board of directors will continue to evaluate the amount of future quarterly distributions based on our operational cash needs.

Some or all of our distributions have been paid, and in the future may continue to be paid, from sources other than cash flows from operations.

The following tables set forth the quarterly distributions declared to our common stockholders and common unit holders for the six months ended June 30, 2019 and the year ended December 31, 2018 (amounts in thousands, except per share amounts):

	<b>Distribution Record Date</b>	<b>Distribution Payable Date</b>	<b>Distribution Per Share of Common Stock / Common Unit</b>	<b>Total Common Stockholders Distribution</b>	<b>Total Common Unit Holders Distribution</b>	<b>Total Distribution</b>
First Quarter 2019	3/31/2019	4/30/2019	\$ 0.06	\$ 651	\$ 14	\$ 665
Second Quarter 2019	6/30/2019	7/31/2019	0.06	648	14	662
<b>Total</b>				<b>\$ 1,299</b>	<b>\$ 28</b>	<b>\$ 1,327</b>

	<b>Distribution Record Date</b>	<b>Distribution Payable Date</b>	<b>Distribution Per Share of Common Stock / Common Unit</b>	<b>Total Common Stockholders Distribution</b>	<b>Total Common Unit Holders Distribution</b>	<b>Total Distribution</b>
First Quarter 2018	3/31/2018	4/30/2018	\$ 0.06	\$ 659	\$ 14	\$ 673
Second Quarter 2018	6/30/2018	7/31/2018	0.06	658	14	672
Third Quarter 2018	9/30/2018	10/31/2018	0.06	656	14	670
Fourth Quarter 2018	12/31/2018	1/31/2019	0.06	652	14	666
<b>Total</b>				<b>\$ 2,625</b>	<b>\$ 56</b>	<b>\$ 2,681</b>

## Funds From Operations

Funds from operations (“FFO”) is a supplemental non-GAAP financial measure of a real estate company’s operating performance. The National Association of Real Estate Investment Trusts, or “NAREIT”, an industry trade group, has promulgated this supplemental performance measure and defines FFO as net income, computed in accordance with GAAP, plus real estate related depreciation and amortization and excluding extraordinary items and gains and losses on the sale of real estate, and after adjustments for unconsolidated joint ventures (adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.) It is important to note that not only is FFO not equivalent to our net income or loss as determined under GAAP, it also does not represent cash flows from operating activities in accordance with GAAP. FFO should not be considered an alternative to net income as an indication of our performance, nor is FFO necessarily indicative of cash flow as a measure of liquidity or our ability to fund cash needs, including the payment of distributions.

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We consider FFO to be a meaningful, additional measure of operating performance and one that is an appropriate supplemental disclosure for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

Our calculation of FFO attributable to common shares and Common Units and the reconciliation of net income (loss) to FFO is as follows (amounts in thousands, except shares and per share amounts):

FFO	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ (597)	\$ 2,531	\$ (908)	\$ 2,554
Adjustments:				
Gain on disposal of assets	(13)	(2,448)	(13)	(2,448)
Adjustment to reflect FFO of unconsolidated joint ventures	100	107	178	183
Depreciation of real estate	299	267	598	545
Amortization of in-place leases and leasing costs	79	74	157	154
FFO attributable to common shares and Common Units <sup>(1)</sup>	\$ (132)	\$ 531	\$ 12	\$ 988
FFO per share and Common Unit <sup>(1)</sup>	\$ (0.01)	\$ 0.05	\$ —	\$ 0.09
Weighted average common shares and units outstanding <sup>(1)</sup>	11,074,259	11,212,912	11,086,036	11,218,086

- (1) Our common units have the right to convert a unit into common stock for a one-to-one conversion. Therefore, we are including the related non-controlling interest income/loss attributable to common units in the computation of FFO and including the common units together with weighted average shares outstanding for the computation of FFO per share and common unit.

### Related Party Transactions and Agreements

We are currently party to the Advisory Agreement, pursuant to which the Advisor manages our business in exchange for specified fees paid for services related to the investment of funds in real estate and real estate-related investments, management of our investments and for other services. Refer to Note 11. "Related Party Transactions" to our interim unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of the Advisory Agreement and other related party transactions, agreements and fees.

### Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist primarily of our investments in joint ventures and are described in Note 3. "Investments in Unconsolidated Joint Ventures" in the notes to the interim unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Our joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint ventures' debts are secured by a first mortgage, are without recourse to the joint venture partners, and do not represent a liability of the partners other than carve-out guarantees for certain matters such as environmental conditions, misuse of funds and material misrepresentations. As of June 30, 2019, we have provided carve-out guarantees in connection with our two unconsolidated joint ventures; in connection with those carve-out guarantees we have certain rights of recovery from our joint venture partners.

### Critical Accounting Policies

Our interim unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and in conjunction with the rules and regulations of the SEC. The preparation of our financial statements requires significant management judgments, assumptions and estimates about matters that are inherently uncertain. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. A discussion of additional accounting policies that management considers critical in that they involve significant management judgments, assumptions and estimates is included in our 2018 Annual Report on Form 10-K.

## **Subsequent Events**

### ***Distributions***

On May 9, 2019, our board of directors declared a second quarter distribution in the amount of \$0.06 per share/unit to common stockholders and holders of common units of record as of June 30, 2019. The distribution was paid on July 31, 2019.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Omitted as permitted under rules applicable to smaller reporting companies.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon, and as of the date of, the evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1A. RISK FACTORS**

Omitted as permitted under rules applicable to smaller reporting companies.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the period covered by this Quarterly Report on Form 10-Q, we did not issue any equity securities that were not registered under the Securities Act of 1933, as amended.

**Share Redemption Program**

On April 1, 2015, our board of directors approved the reinstatement of the share redemption program (which had been suspended since January 15, 2013) and adopted an Amended and Restated Share Redemption Program (the “SRP”). Under the SRP, only shares submitted for repurchase in connection with the death or “qualifying disability” (as defined in the SRP) of a stockholder are eligible for repurchase by us. Under the current SRP, as amended to date, the number of shares to be redeemed is limited to the lesser of (i) a total of \$3.5 million for redemptions sought upon a stockholder’s death and a total of \$1.0 million for redemptions sought upon a stockholder’s qualifying disability, and (ii) 5% of the number of shares of our common stock outstanding during the prior calendar year. Share repurchases pursuant to the SRP are made at our sole discretion. We reserve the right to reject any redemption request for any reason or no reason or to amend or terminate the share redemption program at any time subject to the notice requirements in the SRP.

The redemption price for shares that are redeemed is 100% of our most recent estimated net asset value per share as of the applicable redemption date. A redemption request must be made within one year after the stockholder’s death or disability.

The SRP provides that any request to redeem less than \$5,000 worth of shares will be treated as a request to redeem all of the stockholder’s shares. If we cannot honor all redemption requests received in a given quarter, all requests, including death and disability redemptions, will be honored on a pro rata basis. If we do not completely satisfy a redemption request in one quarter, we will treat the unsatisfied portion as a request for redemption in the next quarter when funds are available for redemption, unless the request is withdrawn. We may increase or decrease the amount of funding available for redemptions under the SRP on ten business days’ notice to stockholders. Shares submitted for redemption during any quarter will be redeemed on the penultimate business day of such quarter. The record date for quarterly distributions has historically been and is expected to continue to be the last business day of each quarter; therefore, shares that are redeemed during any quarter are expected to be redeemed prior to the record date and thus would not be eligible to receive the distribution declared for such quarter.

During the quarter ended June 30, 2019, we redeemed shares as follows:

<b>Period</b>	<b>Total Number of Shares Redeemed <sup>(1)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program</b>	<b>Approximate Dollar Value of Shares That May Yet be Redeemed Under the Program <sup>(2)</sup></b>
April 2019	1,682	\$ 6.04	1,682	\$ 642,083
May 2019	—	—	—	642,083
June 2019	39,621	6.04	39,621	402,774
<b>Total</b>	<b>41,303</b>		<b>41,303</b>	

- (1) All of our purchases of equity securities during the quarter ended June 30, 2019, were made pursuant to the SRP.
- (2) We currently limit the dollar value and number of shares that may yet be repurchased under the SRP as described above.

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Cumulatively, through June 30, 2019, we have redeemed 799,412 shares for \$5.7 million. The company had no unfulfilled redemption requests during the quarter ended June 30, 2019.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

As of the three months ended June 30, 2019, all items required to be disclosed under Form 8-K were reported under Form 8-K.

**ITEM 6. EXHIBITS**

The exhibits listed on the Exhibit Index (following the signatures section of this Quarterly Report on Form 10-Q) are included herewith, or incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on August 9, 2019.

Strategic Realty Trust, Inc.

By: /s/ Andrew Batinovich

Andrew Batinovich

Chief Executive Officer, Corporate Secretary and Director  
(Principal Executive Officer)

By: /s/ M. Bradley Kettmann

M. Bradley Kettmann

Chief Financial Officer  
(Principal Financial Officer)

**EXHIBIT INDEX**

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the six months ended June 30, 2019 (and are numbered in accordance with Item 601 of Regulation S-K).

<b>Exhibit No.</b>	<b>Description</b>	<b>Filed Herewith</b>	<b>Incorporated by Reference</b>	
			<b>Form/File No.</b>	<b>Filing Date</b>
<a href="#">3.1.1</a>	Articles of Amendment and Restatement of TNP Strategic Retail Trust, Inc.		S-11/ No. 333-154975	7/10/2009
<a href="#">3.1.2</a>	Articles of Amendment, dated August 22, 2013		8-K	8/26/2013
<a href="#">3.1.3</a>	Articles Supplementary, dated November 1, 2013		8-K	11/4/2013
<a href="#">3.1.4</a>	Articles Supplementary, dated January 22, 2014		8-K	1/28/2014
<a href="#">3.2</a>	Third Amended and Restated Bylaws of Strategic Realty Trust, Inc.		8-K	1/28/2014
<a href="#">10.1</a>	Promissory Note with ReadyCap Commercial, LLC, dated May 6, 2019	X		
<a href="#">10.2</a>	Loan Agreement with ReadyCap Commercial, LLC, dated May 6, 2019	X		
<a href="#">31.1</a>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X		
<a href="#">31.2</a>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X		
<a href="#">32.1</a>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X		
<a href="#">32.2</a>	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X		
<a href="#">99.1</a>	Strategic Realty Trust, Inc. Amended and Restated Share Redemption Program Adopted August 26, 2016		8-K	8/30/2016
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	XBRL Taxonomy Extension Schema Document	X		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X		

**Section 2: EX-10.1 (EXHIBIT 10.1)****PROMISSORY NOTE**

\$13,944,000.00 May 6, 2019

FOR VALUE RECEIVED, 3032 WILSHIRE INVESTORS LLC, a Colorado limited liability company (“Maker”), promises to pay to the order of READYCAP COMMERCIAL, LLC, a Delaware limited liability company, d/b/a Ready Capital Structured Finance (together with any subsequent holder of this Note, and their respective successors and assigns, “Holder”), at such address as Holder may from time to time designate in writing, the maximum principal sum of THIRTEEN MILLION NINE HUNDRED FORTY-FOUR THOUSAND AND 00/100 DOLLARS (\$13,944,000.00), together with interest thereon and all other sums due and/or payable under any Loan Document; such principal and other sums to be calculated and payable as provided in this Promissory Note (this “Note”). This Note is being executed and delivered in connection with, and is entitled to the rights and benefits of, that certain Loan Agreement of even date herewith between Maker and Holder (as amended, modified and supplemented and in effect from time to time, the “Loan Agreement”). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Loan Agreement.

Maker agrees to pay the principal sum of this Note together with interest thereon and all other sums due and/or payable under any Loan Document in accordance with the following terms and conditions:

1. **Interest Rate**. Interest shall accrue on the Principal Indebtedness at the Interest Rate (as defined below) commencing on the date of this Note. Interest shall be computed on the actual number of days elapsed based on a 360-day year. For purposes hereof, the following terms shall have the following respective meanings:

(a) “Initial Interest Accrual Period” means the period commencing on the Closing Date and continuing to and including May 9, 2019.

(b) “Interest Accrual Period” means the Initial Interest Accrual Period, and thereafter each period running from and including a Payment Date (as defined below) to and including the calendar day preceding the next Payment Date during the term of the Loan.

(c) “Interest Rate” means, for any Interest Accrual Period, the sum of (i) the greater of (x) LIBOR for such Interest Accrual Period, and (y) the LIBOR Floor, plus (ii) the LIBOR Spread; provided, that while an Event of Default exists, the Interest Rate shall be the Default Rate (as defined below).

(d) “LIBOR” means, with respect to any Interest Accrual Period, the rate per annum (rounded upwards, if necessary, to the nearest one-sixteenth (1/16th) of one percent (1%)) reported on the day that is two (2) LIBOR Business Days prior to the applicable Interest Accrual Period by the Intercontinental Exchange Benchmark Administration Limited (as published by Bloomberg or other firm selected by Holder) as the non-reserve adjusted London Interbank Offered Rate for U.S. dollar deposits having a one (1) month term and in an amount of \$1,000,000.00 or more (all as determined by Holder in its sole but good faith discretion). In the event that (i) more than one such rate is provided, the average of such rates shall apply, or (ii) no such rate is published, then LIBOR shall be determined from such comparable financial reporting company as Holder in its sole but good faith discretion shall determine. LIBOR for any Interest Accrual Period shall be adjusted from time to time by increasing the rate thereof to compensate Holder for any aggregate reserve requirements (including, without limitation, all basic, supplemental, marginal and other reserve requirements and taking into account any transitional adjustments or other scheduled changes in reserve requirements during any Interest Accrual Period) which are required to be maintained by Holder with respect to “Eurocurrency Liabilities” (as presently defined in Regulation D of the Board of Governors of the Federal Reserve System) of the same term under Regulation D, or any other regulations of a Governmental Authority having jurisdiction over Holder of similar effect. The establishment of LIBOR by Holder and Holder’s calculation of the rate of interest applicable to this Note shall, in the absence of manifest error, be final and binding.

(e) “LIBOR-Based Rate” means the Interest Rate at such time as the same is determined using LIBOR pursuant to the terms of this Note.

(f) “LIBOR Business Day” means any day on which banks are open for dealing in foreign currency and exchange in London, England.

(g) “LIBOR Floor” means 2.467%.

(h) “LIBOR Spread” means four hundred twenty-five basis points (i.e., 4.25%); provided, however, that upon the occurrence of the Stabilization Threshold, the LIBOR Spread shall mean three hundred seventy-five basis points (i.e., 3.75%).

(i) “Minimum Interest Amount” means an amount equal to Nine Hundred Thirty Four Thousand and 00/100

Dollars (\$934,000.00), which is an amount equal to twenty-four (24) months of Interest on the Initial Advance (using the forward-looking LIBOR curve plus the LIBOR Spread), as determined by Holder, which determination shall be conclusive and binding on Maker absent manifest error.

(j) “Minimum Interest Fee” means as of the date of determination, an amount equal to the difference (but only if positive) between (a) the Minimum Interest Amount; and (b) the aggregate amount of Interest previously paid by Maker to Holder with respect to the Loan (as determined by Holder, which determination shall be conclusive and binding on Maker absent manifest error).

(k) “Prime-Based Rate” means, at the time of any determination thereof, the annual rate of interest equal to the greater of: (i) the LIBOR Floor plus the LIBOR Spread; and (ii) the Prime Rate plus the LIBOR Spread *less* the Prime-Based Rate Differential (with the “Prime Rate” being the annual rate of interest published in The Wall Street Journal from time to time as the “Prime Rate,” and if The Wall Street Journal ceases to publish the “Prime Rate,” Holder shall select an equivalent publication that publishes such “Prime Rate,” and if such “Prime Rates” are no longer generally published or are limited, regulated or administered by a governmental or quasi-governmental body, then Holder shall select a reasonably comparable interest rate index).

(l) “Prime-Based Rate Differential” means the difference (but to only if positive), at the time of the conversion of the Interest Rate from a LIBOR-Based Rate to a Prime-Based Rate, between (1) the Prime Rate, less (2) LIBOR.

## 2. Payments; Maturity; Extension Option; Additional LIBOR Provisions.

(a) Maker shall make the following payments to Holder:

i. On the Closing Date, a payment of interest-only for the Initial Interest Accrual Period.

ii. On June 10, 2019, and on the same calendar day of each calendar month thereafter (each, a “Payment Date”) during the term of the Loan, Maker shall pay to Holder a monthly payment of interest-only in an amount equal to interest on the unpaid Principal Indebtedness calculated at the Interest Rate which has accrued through the last day of the Interest Accrual Period immediately preceding such Payment Date.

iii. Commencing on the first Payment Date occurring subsequent to the Initial Maturity Date (if the Initial Maturity is extended pursuant to and in accordance with the terms, provisions, covenants and conditions of Section 2(c) hereof), Maker shall pay to Holder a monthly payment of principal and interest in an amount equal to interest on the unpaid Principal Indebtedness calculated at the Interest Rate which has accrued through the last day of the Interest Accrual Period immediately preceding such Payment Date, together with a principal payment based upon an amortization period of twenty-five (25) years, as determined by Holder.

iv. The entire outstanding Indebtedness shall be due and payable on the Payment Date occurring in May, 2022 (the “Initial Maturity Date”), or on the Extended Maturity Date (as defined below) if the Initial Maturity Date is extended pursuant to and in accordance with the terms, provisions, covenants and conditions of Section 2(c) hereof, or on such earlier date resulting from acceleration of the Indebtedness by Holder.

(b) For purposes of making payments hereunder, but not for purposes of calculating Interest Accrual Periods, if the Payment Date of a given month shall not be a Business Day, then the Payment Date for such month shall be the preceding Business Day.

(c) The Maker may request that Holder extend the Initial Maturity Date for a period of twelve (12) months (the “First Extended Maturity Date”) upon the satisfaction of the following conditions:

(i) The Maker shall have delivered to Holder a written request to extend the term of the Loan, as aforesaid, not earlier than ninety (90) days, and not later than forty five (45) days, prior to the Initial Maturity Date;

(ii) The Maker shall have paid to Holder the First Extension Fee on or before the Initial Maturity Date;

(iii) No Event of Default shall have previously occurred and be continuing at the time Holder receives the Maker’s written request for the extension, nor on the Initial Maturity Date;

(iv) All representations and warranties under the Loan Agreement and the other Loan Documents shall be true and correct in all material respects as of the Initial Maturity Date, except to the extent that Holder accepted exceptions to such

representations and warranties on the Closing Date or any time thereafter;

(v) As of the Initial Maturity Date, the Loan to Value Ratio shall be not more than sixty per cent (60%);

(vi) Intentionally deleted;

(vii) As of the Initial Maturity Date, the Stabilization Threshold shall have occurred, as determined by Holder in its sole discretion, which shall be conclusive and binding on Maker absent manifest error;

(viii) Commencing on the Initial Maturity Date, the monthly payments of interest at the Interest Rate payable by the Maker under the Loan shall be amended to include principal payments based upon an amortization period of twenty-five (25) years, as determined by Holder;

(ix) The amount of funds required to be maintained in the Interest Reserve Account and the Operating Expense Reserve Account shall be re-established by Holder and, if applicable, fully funded by Maker;

(x) The Interest Rate Protection Agreement shall be extended, or a new Interest Rate Protection Agreement shall be provided, at Borrower's sole cost and expense, and with a "strike price" selected by Holder (in the same manner and on the same basis as the "strike price" for the initial Interest Rate Protection Agreement was selected), covering the period through and including the First Extended Maturity Date;

(xi) Maker shall execute any agreements, documents or amendments to the Loan Documents reasonably requested by Holder to document such extension (which amendments shall not change the terms of this Note other than to extend the term hereof); and

(xii) Maker shall pay all actual out-of-pocket costs and expenses incurred by Holder in connection with such extension of the Initial Maturity Date, including Holder's reasonable attorneys' fees.

(d) The Maker may extend the First Extended Maturity Date (if the Initial Maturity Date was previously so extended) for an additional period of twelve (12) months (the "Second Extended Maturity Date," and together with the Initial Maturity Date and the First Extended Maturity Date, the "Maturity Date") upon the satisfaction of the following conditions:

(i) The Maker shall have delivered to Holder a written request to extend the term of the Loan, as aforesaid, not earlier than ninety (90) days, and not later than forty five (45) days, prior to the First Extended Maturity Date;

(ii) The Maker shall have paid to Holder the Second Extension Fee on or before the First Extended Maturity Date;

(iii) No Event of Default shall have previously occurred and be continuing at the time Holder receives the Maker's written request for the extension, nor on the First Extended Maturity Date;

(iv) All representations and warranties under the Loan Agreement and the other Loan Documents shall be true and correct in all material respects as of the First Extended Maturity Date, except to the extent that Holder accepted exceptions to such representations and warranties on the Closing Date or any time thereafter;

(v) As of the First Extended Maturity Date, the Loan to Value Ratio shall be not more than sixty per cent (60%);

(vi) Intentionally deleted;

(vii) As of the First Extended Maturity Date, the Stabilization Threshold shall have occurred, as determined by Holder in its sole discretion, which shall be conclusive and binding on Maker absent manifest error;

(viii) Commencing on the First Extended Maturity Date, the monthly payments of interest at the Interest Rate payable by the Maker under the Loan shall continue to include principal payments based upon an amortization period of twenty-five (25) years, as determined by Holder;

(ix) The amount of funds required to be maintained in the Interest Reserve Account and the Operating Expense

Reserve Account shall be re-established by Holder and, if applicable, fully funded by Maker;

(x) The Interest Rate Protection Agreement shall be extended, or a new Interest Rate Protection Agreement shall be provided, at Borrower's sole cost and expense, and with a "strike price" selected by Holder (in the same manner and on the same basis as the "strike price" for the initial Interest Rate Protection Agreement was selected), covering the period through and including the Second Extended Maturity Date;

(xi) Maker shall execute any agreements, documents or amendments to the Loan Documents reasonably requested by Holder to document such extension (which amendments shall not change the terms of this Note other than to extend the term hereof); and

(xii) Maker shall pay all actual out-of-pocket costs and expenses incurred by Holder in connection with such extension of the First Extended Maturity Date, including Holder's reasonable attorneys' fees.

(e) The Maker may also request a short-term administrative extension of the Maturity Date for a period of thirty (30) days in order to have additional time within which to refinance the Loan, upon the satisfaction of the following conditions

(i) The Maker shall have delivered to Holder a written request for such short-term administrative extension, as aforesaid, not earlier than forty-five (45) days, and not later than thirty (30) days, prior to the Maturity Date;

(ii) The Maker shall have paid to Holder an administrative extension fee in an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) at the same time that the written request for such short-term administrative extension, as aforesaid, is delivered to Holder;

(iii) No Event of Default and/or fact or condition having a Material Adverse Effect shall have previously occurred and be continuing at the time Holder receives the Maker's written request for the short-term administrative extension;

(iv) All representations and warranties under the Loan Agreement and the other Loan Documents shall be true and correct in all material respects as of the Maturity Date, except to the extent that Holder accepted exceptions to such representations and warranties on the Closing Date or any time thereafter;

(v) Maker shall execute any agreements, documents or amendments to the Loan Documents reasonably requested by Holder to document such short-term administrative extension (which amendments shall not change the terms of this Note other than to extend the term hereof); and

(vi) Maker shall pay all actual out-of-pocket costs and expenses incurred by Holder in connection with such short-term administrative extension of the Maturity Date, including Holder's reasonable attorneys' fees.

(f) Maker shall pay to Holder all losses, costs and expenses incurred or sustained (or expected to be incurred or sustained) by Holder in liquidating or re-employing funds from third parties to effect or maintain the Loan or any part thereof as a consequence of (i) the Loan, or any portion thereof, being repaid for any reason whatsoever on any date other than a Payment Date (including, without limitation, from Insurance Proceeds or Condemnation Proceeds); (ii) any default in the payment or prepayment of the Principal Indebtedness or any part thereof or interest accrued thereon, as and when due and payable (at the date thereof or otherwise, and whether by acceleration or otherwise); (iii) the conversion of the Interest Rate from the LIBOR-Based Rate to the Prime-Based Rate in accordance with Section 2(g) or (h) below, including, without limitation, such loss or expenses arising from interest or fees payable by Holder to lenders of funds obtained by it in order to maintain the LIBOR-Based Rate hereunder; (iv) any increased costs that Holder may sustain in maintaining the Loan; (v) the reduction of any amounts received or receivable from Maker, in either case, due to the introduction of, or any change in, law or applicable regulation or treaty (including the administration or interpretation thereof), whether or not having the force of law, or due to the compliance by Holder with any directive, whether or not having the force of law, or request from any central bank or domestic or foreign governmental authority, agency or instrumentality have jurisdiction; and/or (vi) any other set of circumstances not attributable to Holder's acts (collectively, "Funding Losses") in each case incurred from time to time by Holder upon demand. Holder shall deliver to Maker a statement for any such sums to which Holder is entitled to receive pursuant to this Section 2(f), which statement shall be binding and conclusive absent manifest error. Payment of Funding Losses hereunder shall be in addition to any obligations of Maker to pay the Exit Fee, the Minimum Interest Fee and the other amounts required under Section 4(a) hereof.

(g) In the event that Holder shall have reasonably determined that, by reason of circumstances beyond Holder's

reasonable control affecting the interbank Eurodollar market, LIBOR cannot be determined as provided herein, then Holder shall forthwith give notice by telephone of such fact, confirmed in writing, to Maker at least one (1) Business Day prior to the last day of the Interest Accrual Period in which such fact shall be determined. If such notice is given, the Interest Rate shall be converted, from and after the first day of the next succeeding Interest Accrual Period, to the Prime-Based Rate (and unless and until the Interest Rate shall be converted back to the LIBOR-Based Rate, "Interest Rate" shall mean and refer to the Prime-Based Rate). If, pursuant to the terms of this clause (g), the Interest Rate has been converted to the Prime-Based Rate but thereafter LIBOR can again be determined as provided herein, Holder shall give notice thereof to Maker and convert the Interest Rate back to the LIBOR-Based Rate by delivering to Maker notice of such conversion no later than 12:00 p.m. (New York City Time), one (1) Business Days prior to the first date of the next succeeding Interest Accrual Period, in which event the Interest Rate shall be converted to the LIBOR-Based Rate after and including the first day of the next succeeding Interest Accrual Period. Notwithstanding any provision of this Agreement to the contrary, in no event shall Maker have the right to elect to convert the Interest Rate to the Prime-Based Rate.

(h) If the introduction of, or any change in, any law, regulation or treaty, or in the interpretation thereof by any governmental authority charged with the administration or interpretation thereof, shall make it unlawful for Holder to maintain the LIBOR-Based Rate with respect to the Loan, or any portion thereof, or to fund the Loan, or any portion thereof, in Eurodollars in the London Interbank Market, then, (i) the Loan (or such portion of the Loan) shall thereafter bear interest at the Prime-Based Rate, and (ii) Maker shall pay to Holder the amount of Funding Losses (if any) incurred in connection with such conversion. The accrual of interest at the Prime-Based Rate shall continue until such Payment Date, if any, as the situation described in this Section 2(h) is no longer in effect.

3. **Event of Default; Default Interest; Late Charge.** Upon the occurrence of an Event of Default, the Indebtedness shall (a) become due and payable as provided in Article 8 of the Loan Agreement, and (b) bear interest at a per annum interest rate equal to the lesser of (i) the Maximum Amount (as defined below), and (ii) the Interest Rate plus five percent (5%) (the "Default Rate"). If Maker fails to pay any sums due under the Loan Documents on the date when the same is due (excluding the payment of the outstanding principal balance of the Loan upon maturity or acceleration), Maker shall pay to Holder upon demand a late charge on such sum in an amount equal to the lesser of (i) five percent (5%) of such unpaid amount, and (ii) the maximum late charge permitted to be charged under the laws of the State of where the Property is located (a "Late Charge"). Maker will also pay to Holder, after an Event of Default occurs, in addition to the amount due and any Late Charges, all reasonable costs of collecting, securing, or attempting to collect or secure this Note or any other Loan Document, including, without limitation, court costs and reasonable attorneys' fees (including reasonable attorneys' fees on any appeal by either Maker or Holder and in any bankruptcy proceedings).

#### 4. **Prepayment.**

(a) Maker may prepay the Loan in whole, but not in part, at any time upon not less than thirty (30) days prior written notice to Holder, subject to payment of the Exit Fee and the Minimum Interest Fee (and any applicable Funding Losses).

(b) If any such prepayment is not made on the last day of an Interest Accrual Period, Maker shall also pay to Holder interest calculated at the Interest Rate that would have accrued on such prepaid Principal Indebtedness through the end of the Interest Accrual Period in which such prepayment occurs. No prepayment shall be permitted after 12:00 noon, New York City time.

(c) Maker acknowledges that the provisions of this Section 4 were independently bargained for and constitute a specific material part of the consideration given by Maker to Holder for the making of the Loan.

(d) Notwithstanding any provision of this Note to the contrary, Maker's notice of prepayment in accordance with this Section 4 shall be irrevocable, and the Indebtedness shall be absolutely and unconditionally due and payable on the date specified in such notice.

#### 5. **Method and Place of Payments; Application of Payments; Maker Obligations Absolute.**

(a) Except as otherwise specifically provided herein, all payments under this Note and the other Loan Documents shall be made to Holder not later than 12:00 noon, New York City time, on the date when due, and shall be made in lawful money of the United States of America in federal or other immediately available funds to an address specified to Maker by Holder in writing, and any funds received by Holder after such time, for all purposes hereof, shall be deemed to have been paid on the next succeeding Business Day.

(b) All proceeds of payment, including any payment or recovery on the Property, shall be applied to the Indebtedness in such order and in such manner as Holder shall elect in Holder's discretion.

(c) Except as specifically set forth in any Loan Document, all sums payable by Maker under any Loan Document shall be paid without notice, demand, counterclaim (other than mandatory counterclaims), setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction.

6. **Security.** The obligations of Maker under this Note are secured by, among other things, the Security Instrument and Liens of the other Loan Documents granted in favor of Holder by Maker and/or encumbering or affecting the Property.

7. **Waivers.** With respect to the amounts due pursuant to this Note or any other Loan Document, Maker waives the following: (a) all rights of exemption of property from levy or sale under execution or other process for the collection of debts under the Constitution or laws of the United States or any State thereof; (b) demand, presentment, protest, notice of dishonor, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, suit against any party, diligence in collection of this Note and in the handling of securities at any time existing in connection herewith, and all other requirements necessary to enforce this Note except for notices required by Governmental Authorities and notices required by the Loan Agreement; and (c) any further receipt by Holder or acknowledgment by Holder of any collateral now or hereafter deposited as security for the Loan. In addition, Maker agrees and acknowledges and agrees that no release of any security for the Loan or Indebtedness, or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Loan Agreement or the other Loan Documents made by agreement between Holder or any other Person shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Maker, and any other Person who may become liable for the payment of all or any part of the Loan or Indebtedness, under this Note, the Loan Agreement or the other Loan Documents. No notice to or demand on Maker shall be deemed to be a waiver of the obligation of Maker or of the right of Holder to take further action without further notice or demand as provided for in this Note, the Loan Agreement or the other Loan Documents.

8. **Usury Savings Clause.** This Note and the other Loan Documents are subject to the express condition that at no time shall Maker be obligated or required to pay interest on the Indebtedness at a rate which could subject Holder to either civil or criminal liability as a result of being in excess of the maximum rate of interest designated by applicable laws relating to payment of interest and usury (the "Maximum Amount"). If, by the terms of this Note or the other Loan Documents, Maker is at any time required or obligated to pay interest on the Indebtedness at a rate in excess of the Maximum Amount, the Interest Rate shall be deemed to be immediately reduced to the Maximum Amount and all previous payments in excess of the Maximum Amount shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Holder for the use, forbearance, or detention of the sums due under the Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the Maximum Amount from time to time in effect and applicable to the Loan for so long as the Loan is outstanding.

9. **Modifications; Remedies Cumulative; Setoffs.** Holder shall not by any act, delay, omission or otherwise be deemed to have modified, amended, waived, extended, discharged or terminated any of its rights or remedies, and no modification, amendment, waiver, extension, discharge or termination of any kind shall be valid unless in writing and signed by Holder and Maker. All rights and remedies of Holder under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. Maker agrees that there are no defenses, equities or setoffs with respect to the obligations set forth herein as of the date hereof, and to the extent any such defenses, equities, or setoffs may exist, the same are hereby expressly released, forgiven, waived and forever discharged. If Maker is a partnership or limited liability company, the agreements herein contained shall remain in force and be applicable, notwithstanding any changes in the individuals or entities comprising the partnership or limited liability company, and the term "Maker," as used herein, shall include any alternate or successor partnership or limited liability company, but any predecessor partnership or limited liability company and their partners or members shall not thereby be released from any liability. If Maker is a corporation, the agreements contained herein shall remain in full force and be applicable notwithstanding any changes in the shareholders comprising, or the officers and directors relating to, the corporation, and the term "Maker" as used herein, shall include any alternative or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. Nothing in the foregoing two sentences shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in such partnership, limited liability company or corporation, as applicable, which may be set forth in the Loan Agreement, the Security Instrument or any other Loan Document.

10. **Severability.** Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Note shall be prohibited by or invalid under applicable Legal Requirements, 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 Note.

11. **Release.** Holder may, at its option, release any Property given to secure the Indebtedness, and no such release shall impair the obligations of Maker to Holder.

12. **Governing Law; Submission to Jurisdiction.**

(a) This Note shall be interpreted and enforced according to the laws of the State where the Property is located (without giving effect to rules regarding conflict of laws).

(b) Maker hereby consents and submits to the exclusive jurisdiction and venue of any state or federal court sitting in the county and state where the Property is located with respect to any legal action or proceeding arising with respect to this Note and waives all objections which it may have to such jurisdiction and venue.

13. **Waiver of Jury Trial.** MAKER AND HOLDER TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION, BROUGHT BY ANY PARTY HERETO WITH RESPECT TO THIS NOTE OR THE OTHER LOAN DOCUMENTS. EACH OF MAKER AND HOLDER AGREES THAT THE OTHER MAY FILE A COPY OF THIS WAIVER WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED AGREEMENT OF THE OTHER IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY, AND THAT, TO THE FULLEST EXTENT THAT IT MAY LAWFULLY DO SO, ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN MAKER AND HOLDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

14. **Sales and Assignments.** Holder may assign, sell, securitize, participate, pledge and/or otherwise transfer all or any portion of Holder's right, title and interest in, to and under this Note and/or the other Loan Documents in one or more transactions as set forth in the Loan Agreement. Upon the transfer of this Note, Maker hereby waiving notice of any such transfer, Holder may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Loan Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under legal requirements given to Holder with respect thereto, and Holder shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Holder shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

15. **Due on Sale; Due on Encumbrance.** Maker understands that in making the Loan, Holder is relying to a material extent upon the business expertise and/or net worth of Maker and, if Maker is also an entity, its partners, members, officers or principals and upon the continuing interest which Maker or its partners, members, officers or principals will have in the Property and in Maker, respectively, and that a violation of Section 6.1 of the Loan Agreement may significantly and materially alter or reduce Holder's security for this Note. Accordingly, in the event that a violation of Section 6.1 of the Loan Agreement occurs, then the same shall be deemed to increase the risk of Holder and Holder may then, or at any time thereafter, declare the entire Indebtedness immediately due and payable.

16. **Exculpation.** Subject to the qualifications below, Holder shall not enforce the liability and obligation of Maker to perform and observe the obligations contained in the Loan Documents by any action or proceeding wherein a money judgment shall be sought against Maker or its Affiliates, principals or shareholders, except that Holder may bring a foreclosure action, an action for specific performance or any other appropriate action or proceeding to enable Holder to enforce and realize upon its interest and rights under the Loan Documents, or in the Property, the Rents, the Insurance Proceeds, the Condemnation Proceeds or any other collateral given to Holder pursuant to the Loan Documents; provided, however, that, except as specifically provided herein, any judgment in any such action or proceeding shall be enforceable against Maker only to the extent of Maker's interest in the Property, the Rents, the Insurance Proceeds, the Condemnation Proceeds and any other collateral given to Holder, and Holder agrees that it shall not sue for, seek or demand any deficiency judgment against Maker in any such action or proceeding under or by reason of or under or in connection with any Loan Document. The provisions of this Section 16 shall not, however, (a) constitute a waiver, release or impairment of any obligation evidenced or secured by any Loan Document; (b) impair the right of Holder to name Maker as a party defendant in any action or suit for foreclosure and sale under the Security Instrument; (c) affect the validity or enforceability of any of the Loan Documents or any guaranty made in connection with the Loan or any of the

rights and remedies of Holder thereunder; (d) impair the right of Holder to obtain the appointment of a receiver; (e) impair the enforcement of the Security Instrument; (f) constitute a prohibition against Holder to seek a deficiency judgment against Maker in order to fully realize the security granted by the Security Instrument or to commence any other appropriate action or proceeding in order for Holder to exercise its remedies against all of the Property; or (g) constitute a waiver of the right of Holder to enforce the liability and obligation of Maker by money judgment or otherwise, to the extent of any Losses incurred by Holder arising out of or in connection with the following (each, a “Recourse Liability” and collectively, the “Recourse Liabilities”):

(i) fraud, intentional misrepresentation, or willful misconduct by Maker or Guarantor in connection with the Loan;

(ii) the breach of any representation, warranty, covenant or indemnification provision in any Loan Document concerning Environmental Laws or Hazardous Substances, and any indemnification of Holder with respect thereto contained in any Loan Document;

(iii) any act of material waste of the Property or any portion thereof by Maker or Guarantor, or, during the continuance of any Event of Default, the removal or disposal of any portion of the Property by Maker or Guarantor;

(iv) the misapplication, misappropriation, or conversion by Maker, Guarantor, or at the direction of Maker and/or Guarantor, of either of (A) any Insurance Proceeds paid by reason of any Casualty, (B) any Condemnation Proceeds received in connection with any Taking or (C) any Rents or security deposits;

(v) failure to pay any real estate taxes, assessments or other impositions, or any part thereof, heretofore or hereafter imposed upon or in respect of the Property which become a Lien or charge upon Maker or the Property, (A) to the extent that funds for the payment thereof were delivered to or received by Lender for deposit into the Tax and Insurance Reserve Account (in accordance with the Loan Agreement) or otherwise in sufficient time for Lender to make such payment and Lender failed to make such payment or Lender has taken possession of the Property following an Event of Default, has received the Rents from the Property applicable to the period for which such taxes are due, and thereafter fails to make such payments and (B) real estate taxes, assessments or other impositions owed that are contested strictly in accordance with the terms of the Loan Documents;

(vi) failure to maintain or cause to be maintained any insurance policies with respect to the Property as required under the Loan Documents, unless to the extent that such failure is a result of the non-payment of the premium therefor and funds for the payment thereof were delivered to or received by Lender for deposit into the Tax and insurance Reserve Account in sufficient time for Lender to make such payment and Lender failed to make such payment, or Lender has taken possession of the Property following an Event of Default, has received the Rents from the Property applicable to the period for which insurance is due, and thereafter fails to make such payments;

(vii) failure of Maker to follow and comply (or to use commercially reasonable efforts to cause the property manager to comply, in the case non-compliance is due to the non-collusive acts or omissions of the property manager or its employees) with the Cash Management Protocols;

(viii) failure to pay to Holder all reasonable actual costs and expenses, including reasonable attorneys’ fees and expenses, incurred in collecting any amount due and owing under the Loan Documents, but only in the event Maker and/or Guarantor (or any other person acting at the direction of Maker and/or Guarantor) is contesting any such collection efforts;

(ix) a default occurs under Section 6.3 of the Loan Agreement and such failure does not lead to a substantive consolidation of Borrower’s assets with the assets of any other Person (excluding any covenants and provisions thereof with respect to solvency or adequacy of capital to the extent that the Rents from the Property are insufficient therefor, for which neither Borrower nor Guarantor shall have any liability to Lender); or

(x) failure of Maker to use the Reserve Funds disbursed pursuant to a Disbursement Certification for their intended purposes.

Notwithstanding anything to the contrary in this Note or any of the Loan Documents, (A) Holder shall not be deemed to have waived any right which Holder may have under Section 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Indebtedness or to require that all collateral shall continue to secure all of the Indebtedness in accordance with the Loan Documents, and (B) Holder’s agreement not to pursue personal liability of Maker as

set forth above SHALL BECOME NULL AND VOID and shall be of no further force and effect, and the Indebtedness shall be fully recourse to Maker in the event that one or more of the following occurs (each, a “Full Recourse Event”): (1) a default occurs under Section 6.1(a) or 6.2 of the Loan Agreement; (2) a default occurs under Section 6.3 of the Loan Agreement and such failure leads to a substantive consolidation of Borrower’s assets with the assets of any other Person (excluding any covenants and provisions thereof with respect to solvency or adequacy of capital to the extent that the Rents from the Property are insufficient therefor, for which neither Borrower nor Guarantor shall have any liability to Lender), (3) Maker files a voluntary petition under the U.S. Bankruptcy Code or any other federal or state bankruptcy or insolvency law, or (4) Guarantor (or anyone authorized to act on behalf of Guarantor), or any officer, director, or authorized representative of Maker, files or acquiesces in the filing of, or Maker acquiesces in the filing of, an involuntary petition under the U.S. Bankruptcy Code or any other federal or state bankruptcy or insolvency law against Maker, provided, however, that Maker’s acquiescence in the filing of a bankruptcy or other insolvency petition initiated by Lender or any party acting by, through or under Lender or at the request of Lender (including any servicer of the Loan) shall not be a Full Recourse Event.

17. **Notice.** All notices or other written communications hereunder shall be delivered in accordance with Section 11.6 of the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Promissory Note to be properly executed as of the date first above written and has authorized this Promissory Note to be dated as of the day and year first above written.

**MAKER:**

**3032 WILSHIRE INVESTORS LLC,**  
a Colorado limited liability company

By: 3032 Wilshire SM LLC,  
a Colorado limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: William R. Rothacker  
Title: Manager

**ADDENDUM TO NOTE**

BY SIGNING BELOW, BORROWER EXPRESSLY ACKNOWLEDGES AND UNDERSTANDS THAT, PURSUANT TO THE TERMS OF THIS NOTE, BORROWER HAS AGREED THAT IT HAS NO RIGHT TO PREPAY THIS NOTE PRIOR TO THE MATURITY DATE (EXCEPT AS EXPRESSLY SET FORTH TO THE CONTRARY HEREIN OR IN THE SECURITY INSTRUMENT OR LOAN AGREEMENT), AND THAT IT SHALL BE LIABLE FOR THE PAYMENT OF THE MINIMUM INTEREST FEE, EXIT FEE AND ANY APPLICABLE FUNDING LOSSES FOR PREPAYMENT OF THIS NOTE UPON ACCELERATION OF THIS NOTE IN ACCORDANCE WITH ITS TERMS EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN THE SECURITY INSTRUMENT. FURTHER, BY SIGNING BELOW, BORROWER WAIVES ANY RIGHTS IT MAY HAVE UNDER SECTION 2954.10 OF THE CALIFORNIA CIVIL CODE, OR ANY SUCCESSOR STATUTE, AND EXPRESSLY ACKNOWLEDGES AND UNDERSTANDS THAT LENDER HAS MADE THE LOAN IN RELIANCE ON THE AGREEMENTS AND WAIVER OF BORROWER AND THAT LENDER WOULD NOT HAVE MADE THE LOAN WITHOUT SUCH AGREEMENTS AND WAIVER OF BORROWER.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Maker has duly executed this Addendum to Note as of the day and year first above written.

MAKER:

**3032 WILSHIRE INVESTORS LLC,**  
a Colorado limited liability company

By: 3032 Wilshire SM LLC,  
a Colorado limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: William R. Rothacker  
Title: Manager

Promissory Note  
Loan Number 201916813  
([Back To Top](#))

## **Section 3: EX-10.2 (EXHIBIT 10.2)**

**Execution Version**

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### **LOAN AGREEMENT**

dated as of May 6, 2019

by and between

**3032 WILSHIRE INVESTORS LLC,**  
a Colorado limited liability company

(as Borrower)

and

**READYCAP COMMERCIAL, LLC,**  
a Delaware limited liability company, d/b/a  
Ready Capital Structured Finance

(as Lender)

Premises:

3032 Wilshire Boulevard  
Santa Monica, California



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## LOAN AGREEMENT

THIS LOAN AGREEMENT (as the same may from time to time hereafter be modified, supplemented or amended, this “Agreement”), dated as of May 6, 2019 (the “Closing Date”), is made by and among READYCAP COMMERCIAL, LLC, a Delaware limited liability company, d/b/a Ready Capital Structured Finance (together with its successors and assigns, “Lender”), having an address of 1320 Greenway Drive, Suite 560, Irving, Texas 75038, and CP 3032 WILSHIRE INVESTORS LLC, a Colorado limited liability company, having an address c/o Cadence Capital Investments LLC, 6400 S. Fiddlers Green Circle, Suite 1820, Greenwood Village, Colorado 80111 (“Borrower”).

### RECITALS

Borrower desires to obtain a loan (the “Loan”) from Lender in the maximum principal amount of THIRTEEN MILLION NINE HUNDRED FORTY-FOUR THOUSAND AND 00/100 DOLLARS (\$13,944,000.00) (the “Loan Amount”), and Lender is willing to make the Loan on the terms and conditions set forth in this Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the making of the Loan by Lender, the parties hereby agree as follows:

### ARTICLE 1 DEFINITIONS; PRINCIPLES OF CONSTRUCTION

**Section 1.1 Definitions.** For all purposes of this Agreement and the other Loan Documents, the following terms shall have the following respective meanings. The location of additional defined terms is set forth in Section 1.2 below:

“Account Bank” means Key Bank, National Association, or any such other bank selected by Borrower (to execute and deliver the Deposit Account Control Agreement) and acceptable to Lender.

“Affiliate” of any specified Person means any other Person Controlling, Controlled by or under common Control with such specified Person.

“Approved Accounting Method” means generally accepted accounting principles or such other method of accounting approved by Lender from time to time, consistently applied.

“Approved Lease” means any Lease or proposed Lease that complies with the Leasing Guidelines (i.e., is not a Material Lease).

“Approved Lease Form” means the form of tenant lease agreement used by Borrower to lease all or any part of the Property, which Lender has approved in writing prior to its usage.

“Approved Leasing Expenses” shall mean actual out-of-pocket expenses incurred by Borrower in leasing space at the Property pursuant to Leases entered into in accordance with the Loan Documents, including brokerage commissions and tenant improvements and tenant

allowances, which expenses (a) are (i) specifically approved by Lender in connection with approving the applicable Lease in connection with Leases that require Lender's approval under the Loan Documents, (ii) incurred in the ordinary course of business and on market terms and conditions in connection with Leases which do not require Lender's approval under the Loan Documents (and, if requested by Lender in connection with leases for which the landlord is performing the tenant improvements, Lender shall have received and approved a budget for such tenant improvement costs and a schedule of leasing commissions payments payable in connection therewith), or (iii) otherwise approved by Lender, which approval shall not be unreasonably withheld or delayed, and (b) are substantiated by executed Lease documents and brokerage agreements.

“Borrower Compliance Certificate” means a compliance certificate substantially in the form of Exhibit A-1 annexed hereto, signed by a Responsible Officer of a Borrower.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which any of the following institutions is not open for business: (a) banks and savings and loan institutions in New York, New York, (b) the trustee under a Securitization (or, if no Securitization has occurred, Lender), (c) any Servicer, (d) the financial institution that maintains any collection account for or on behalf of any Servicer or any Reserve Account, (e) the New York Stock Exchange, or (f) the Federal Reserve Bank of New York.

“Capital Expenditures” means, individually or collectively, as the case may be and the context so requires, the Hard Cost Capital Expenditures and/or the Soft Cost Capital Expenditures.

“Capital Expenditures Reserve Account” means the Reserve Account into which any of the Capital Expenditures Reserve Funds are deposited.

“Capital Expenditures Reserve Funds” means, individually or collectively, as the case may be and the context so requires, the Hard Cost Reserve Funds and/or the Soft Cost Reserve Funds.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor statutes thereto.

“Control” (and terms correlative thereto) when used with respect to any specified Person means the power to direct the management and policies of such Person, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise.

“Currying Flavors Lease” means that certain Retail Lease between Borrower, as landlord, and Hasan Group, LLC a California limited liability company (d/b/a Currying Flavors), comprising approximately 857 total square feet at the Property as more specifically set forth therein.

“Debt Service” means, with respect to any particular period of time, Interest and, if applicable, principal payments due and payable under the Note and this Agreement.

“Debt Yield Ratio” means, as of any date of calculation, a ratio conveyed as a percentage in which: (a) the numerator is the Net Operating Income (which shall be calculated on the basis of the Operating Expenses and the Operating Income for a trailing period of six (6) months each (annualized and normalized)); and (b) the denominator is the Loan Amount. Lender's calculation

of the Debt Yield Ratio, and all component calculations, shall be conclusive and binding on Borrower absent manifest error.

“Deposit Account” shall mean the account established or to be established with the Account Bank pursuant to the terms of the Deposit Account Control Agreement, including all replacements or substitutions therefor, for the deposit of the Operating Income pursuant to and in accordance with Section 3.7 hereof, as identified on Exhibit B annexed hereto.

“Deposit Account Control Agreement” means that certain Deposit Account Control Agreement by and among Borrower, Lender and Account Bank to be entered into prior to or on the Closing Date, in form, scope and substance acceptable to Lender, as the same may thereafter be amended, restated, replaced, supplemented or otherwise modified from time to time.

“Disbursement Conditions” means the specific conditions to be satisfied with respect to the disbursement of any Reserve Funds pursuant to a Draw Request, which conditions are specified on Exhibit C annexed hereto.

“Disclosure Document” means, individually or collectively and as applicable, any offering circular, prospectus, prospectus supplement, private placement memorandum or other offering document, in each case, in connection with a Securitization.

“Draw Request” means the written request to be furnished by Borrower to Lender in connection with the disbursement of any of the Reserve Funds, which written request shall be in form, scope and substance acceptable to Lender, acting reasonably.

“Eligible Account” means (a) an account maintained with a federal or state chartered depository institution or trust company whose (x) commercial paper, short-term debt obligations or other short-term deposits are rated at least “A-1” by S&P and the equivalent rating by each other Rating Agency if the deposits in such account are to be held in such account for thirty (30) days or less or (y) long-term unsecured debt obligations are rated at least “A” by S&P and the equivalent rating by each other Rating Agency if the deposits in such account are to be held in such account for more than thirty (30) days; or (b) a segregated trust account maintained with the trust department of a federal or state chartered depository institution or trust company acting in its fiduciary capacity which institution or trust company is subject to regulations regarding fiduciary funds on deposit substantially similar to 12 C.F.R. § 9.10(b); or (c) an account otherwise acceptable to each Rating Agency, as evidenced by a Rating Agency confirmation relating to such account.

“Environmental Law” means any present and future applicable federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, relating to Hazardous Substances or related to liability for or costs of violations of any of the foregoing, including the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act;

the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act.

“Equity Requirements” means an amount equal to Eight Million Eight Hundred Five Thousand Three Hundred Thirty Five and 00/100 Dollars (\$8,805,335.00).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended or re-codified from time to time, and the regulations promulgated thereunder.

“Exchange Act” means the Securities Exchange Act of 1934, as the same may be amended, modified or replaced from time to time.

“Excess Cash Flow Account” means the custodial account established with Lender for the deposit of the Net Operating Income (or the required portion thereof) pursuant to and in accordance with Section 3.7(d) hereof, as identified on Exhibit D annexed hereto.

“Exit Fee” means an amount equal to One Hundred Four Thousand Five Hundred Eighty and 00/100 Dollars (\$104,580.00)(i.e., three-quarters of one per cent (0.75%) of the Loan Amount).

“First Extension Fee” means an amount equal to Thirty-Four Thousand Eight Hundred Sixty and 00/100 Dollars (\$34,860.00)(i.e., one-quarter of one per cent (0.25%) of the Loan Amount).

“Fiscal Year” means the 12-month period ending on December 31 of each year or such other fiscal year of Borrower as Borrower may select from time to time with the prior written consent of Lender, such consent not to be unreasonably withheld or delayed.

“Fitch” means Fitch, Inc.

“Governmental Authority” means any national, federal, state, regional or local government, or any other political subdivision of any of the foregoing, in each case with jurisdiction over Borrower, the Property, or any Person with jurisdiction over Borrower or the Property exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guarantor” means, collectively, the Rothacker Guarantor and the SRT Guarantor.

“Hard Cost Capital Expenditures” means the “hard costs” incurred by Borrower in connection with capital improvements to the Property as set forth in the Approved Capital Expenditures Budget.

“Hard Cost Reserve Funds” means a portion of the Loan Amount equal to the sum of Four Million Seven Hundred Ninety-Six Thousand and 00/100 Dollars (\$4,796,000.00), which shall be made available to Borrower only for the payment of Hard Cost Capital Expenditures pursuant to Section 3.4 hereof.

“Hazardous Substance” means, without limitation, any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, toxic or hazardous wastes, toxic or hazardous substances, toxic or hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that have a documented negative impact on human health or the environment, including petroleum and petroleum products, mold or fungus, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives.

“Impositions” means all ground rents, if any, all taxes (including, without limitation, ad valorem or value added, sales (including those imposed on lease rentals), use, single business, gross receipts, intangible transaction privilege, privilege, license or similar taxes), and all assessments water rates or sewer rents, if any, (including, without limitation, to the extent not discharged prior to the Closing Date, all assessments for public improvements or benefits, whether or not commenced or completed within the term of the Loan), now or hereafter levied or assessed or imposed against any and all of the Property or any part thereof.

“Indebtedness” means, at any given time, the Principal Indebtedness, together with all accrued and unpaid interest thereon and all other obligations and liabilities due or to become due to Lender pursuant hereto or any of the other Loan Documents.

“Indemnified Parties” means each of Lender each of its Affiliates and their respective successors and assigns, any Person who is or will have been involved with the servicing of the Loan, Persons who may hold or acquire or will have held a full or partial interest in the Loan (including Investors, as well as custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan for the benefit of third parties) (including any other Person who holds or acquires or will have held a participation or other full or partial interest in the Loan or the collateral therefor) and any Affiliate or designee of Lender that has filed any registration statement relating to the Securitization or has acted as the sponsor or depositor in connection with the Securitization, any Affiliate of Lender that acts as an underwriter, placement agent or initial purchaser of Securities issued in the Securitization, any other co-underwriters, co-placement agents or co initial purchasers of Securities issued in the Securitization, and each of their respective officers, directors, partners, employees, representatives, agents and Affiliates and each Person or entity who Controls any such Person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, any Person who is or will have been involved in the origination of the Loan, any Person who is or will have been involved in the servicing of the Loan secured hereby, any Person in whose name the encumbrance created by the Security Instrument is or will have been recorded, and the respective officers, directors, and employees, agents, Affiliates, successors and assigns of any and all of the foregoing.

“Initial Advance” means a portion of the Loan Amount equal to the sum of Seven Million One Hundred Eleven Thousand and 00/100 Dollars (\$7,111,000.00), the net proceeds of which will be used to fund: (a) the refinancing of the existing loan securing the Property; (b) certain closing costs incurred by Borrower in connection with the closing of the Loan, including but not limited to the payment of the Origination Fee and any broker’s fee; (c) the Interest Reserve Funds; (d) the Operating Expense Reserve Funds; and (e) the Soft Cost Reserve Funds.

“Interest” means any and all scheduled interest payments due and payable under the Note and this Agreement.

“Interest Rate Protection Agreement” means that certain interest rate cap agreement, dated on or before the Closing Date, between Borrower and [\_\_\_\_\_], in form, scope and substance acceptable to Lender, and with a “strike price” of three and three-quarters of one percent (3.75%) or less, covering the Loan Amount and the period from and including the Closing Date through and including the Initial Maturity Date.

“Interest Reserve Account” means the Reserve Account into which the Interest Reserve Funds are deposited.

“Interest Reserve Funds” means a portion of the Loan Amount equal to the sum of Three Hundred Thousand and 00/100 Dollars (\$300,000.00), which shall be made available to Borrower only for the payment of Interest pursuant to Section 3.2 hereof.

“Leases” means all leases, assignments, sub-leases and other agreements or arrangements affecting the use or occupancy of all or any portion of the Property now in effect or hereafter entered into (including all lettings, subleases, licenses, concessions, tenancies and other occupancy agreements covering or encumbering all or any portion of the Property), together with any guarantees, supplements, amendments, modifications, extensions and renewals of the same.

“Leasing Guidelines” means the leasing guidelines applicable to the Property attached hereto as Schedule 1.

“Legal Requirements” means (a) all statutes, laws, rules, orders, regulations, ordinances, judgments, orders, decrees and injunctions of Governmental Authorities affecting Borrower, the Loan Documents, the Property or any part thereof, and all Permits and regulations relating thereto, (b) all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Borrower, at any time in force affecting the Property or any part thereof, (c) terms of any insurance policy maintained by or on behalf of Borrower, and (d) the organizational documents of Borrower.

“Lien” means any mortgage, deed of trust, deed to secure debt, lien pledge, easement, restrictive covenant, hypothecation, assignment, security interest, conditional sale or other title retention agreement, financing lease having substantially the same economic effect as any of the foregoing, or financing statement or similar instrument.

“LIT Lease” means that certain Retail Lease, dated September 15, 2017, between Borrower, as landlord, and Lit Fitness Group, LLC, a California limited liability company, comprising approximately 2,990 total square feet of floor area at the Property as more specifically set forth therein.

“Loan Documents” means, collectively, this Agreement and all other documents, agreements, instruments and certificates now or hereafter evidencing, securing or delivered to Lender in connection with the Loan, including the documents listed on Schedule 2 attached hereto,

as each may be (and each of the defined terms shall refer to such documents as they may be) amended, restated, or otherwise modified from time to time.

“Loan to Value Ratio” means the percentage, calculated by taking a fraction, the numerator of which is the outstanding Principal Indebtedness and the denominator of which is the “as is” fair market value of the Property, as determined on the basis of an updated and current appraisal of the Property (obtained at the sole cost and expense of Borrower), which appraisal shall be acceptable to Lender (in its sole and absolute discretion). Lender’s calculation of the Loan to Value Ratio, and all component calculations, shall be conclusive and binding on Borrower absent manifest error.

“Losses” means any actual losses, actual damages, costs, fees, expenses, claims, suits, judgments, awards, liabilities (including strict liabilities), obligations, diminutions in value, fines, penalties, charges, costs of Remediation (whether or not performed voluntarily), amounts paid in settlement, foreseeable and unforeseeable consequential damages, litigation costs, reasonable attorneys’ fees, engineers’ fees, environmental consultants’ fees, and investigation costs (including costs for sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), of whatever kind or nature, and whether or not incurred in connection with any judicial or administrative proceedings, actions, claims, suits, judgments or awards (but specifically excluding punitive damages).

“Management Agreement” means any agreement entered into between Manager and Borrower pertaining to the management of the Property, as the same may be amended or otherwise modified from time to time in accordance with Section 5.4.

“Manager” means the Person designated as manager of the Property in the Management Agreement (if applicable), or any successor or assignee appointed in accordance with this Agreement.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower, (b) a material impairment of the rights and remedies of the Lender under any of the Loan Documents, or of the ability of the Borrower to perform its obligations under any of the Loan Documents to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or the Guarantor of any of the Loan Documents to which it is a party.

“Material Lease” means any Lease not complying with the Leasing Guidelines, excluding immaterial deviations from the Leasing Guidelines (i.e., that is not an Approved Lease).

“Maturity Date” means the Initial Maturity Date, as the same may be extended pursuant to and in accordance with Section 2.3 hereof.

“Minimum Disbursement Amount” means an amount equal to Ten Thousand and 00/100 Dollars (\$10,000.00).

“Minimum Interest Reserve Account Amount” means an amount equal to One Hundred Thousand and 00/100 Dollars (\$100,000.00).

“Moody’s” means Moody’s Investors Service, Inc.

“Morningstar” means Morningstar Credit Ratings, LLC, a Pennsylvania limited liability company.

“Net Effective Rent” means, for any particular Lease, the total amount of rent payable during the term thereof, less the costs incurred by Borrower in connection with the entering into of such Lease (including, but not limited to, free rent, Tenant Improvements and Leasing Commissions), discounted to a “net present value” based upon a market discount rate, with each component of such calculation as determined by Lender, in its sole and absolute discretion.

“Net Operating Income” means the difference between the Operating Income and the Operating Expenses.

“Operating Expense Reserve Account” means the Reserve Account into which the Operating Expense Reserve Funds are deposited.

“Operating Expense Reserve Funds” means a portion of the Loan Amount equal to the sum of Ninety-Five Thousand and 00/100 Dollars (\$95,000.00), which shall be made available to Borrower only for the payment of Operating Expenses pursuant to Section 3.3 hereof.

“Operating Expenses” means all cash expenses actually incurred by or charged to Borrower (appropriately pro-rated for any expenses that, although actually incurred in a particular period, also relate to other periods), with respect to the ownership, operation, leasing and management of the Property in the ordinary course of business, determined in accordance with the Approved Accounting Method, including, without limitation: (a) Impositions; (b) Premiums; (c) personal property taxes and other real estate taxes; (d) sales taxes or any tax on rents; (e) wages, salaries, payroll taxes and employee benefits; (f) costs of utility services; (g) maintenance, repair and custodial costs; (h) office supplies, other administrative expenses and professional fees; (i) costs of advertising and marketing for the Property; (j) costs of telephone service; (k) costs of garbage removal; (l) an allowance for income items that are determined to be uncollectible; (m) any compensation, fees or reimbursements paid to the property or asset manager of the Property pursuant to and in accordance with the Management Agreement; and (n) Two Thousand and 00/100 Dollars (\$2,000.00) per month paid to Cadence Capital Investments LLC for accounting and administrative purposes. Notwithstanding the foregoing, Operating Expenses specifically exclude (1) costs of tenant improvements, (2) capital expenditures, (3) depreciation, (4) income taxes, (5) payments made towards Debt Service and all costs and expenses incurred in connection with the making and ongoing servicing of the Loan, (6) costs of Restoration following a Casualty or a Taking, (7) funds disbursed from any Reserve Account, and (8) any other non-cash items.

“Operating Income” means all gross cash income, revenues and consideration received or paid to or for the account or benefit of any Borrower resulting from or attributable to the operation or leasing of the Property determined in accordance with the Approved Accounting Method,

including, without limitation: (a) the Rents (from tenants, assignees, subtenants, or parties to walkway agreements); (b) amounts (to the extent included in Operating Expenses) payable by tenants to any Borrower on account of maintenance or service charges, taxes, assessments, utilities and maintenance of the Property; (c) rents and receipts from health clubs, restaurants, licenses, concessions, vending machines, laundry machines and similar items located at or operated from the Property (d) interest income; (e) proceeds of business interruption insurance; and (f) security deposits applied to the payment of rent.

“Origination Fee” means an amount equal to One Hundred Thirty-Nine Thousand Four Hundred Forty and 00/100 Dollars (\$139,440.00)(i.e., one per cent (1.00%) of the Loan Amount).

“Performance Deadline” means the date that is sixty (60) days from the Closing Date.

“Performance Threshold” shall mean both: (a) the extension (subsequent to the Closing Date) of each of the Outside Delivery Dates (as such terms are respectively defined in each of the LIT Lease and the Currying Flavors Lease), under both the LIT Lease and the Currying Flavors Lease, to a date that is not later than fourteen (14) months from the Closing Date (i.e., a maximum period of sixty (60) days from the Closing Date plus twelve (12) months); and (b) the delivery to Lender of satisfactory tenant estoppels from each of the tenants under both the LIT Lease and the Currying Flavors Lease confirming, among other things, the aforementioned extension of the Outside Delivery Dates.

“Permitted Encumbrances” means, with respect to the Property, collectively, (a) the Lien created by the Loan Documents, (b) all Liens and other matters disclosed in the title insurance policy insuring the Security Instrument, or any part thereof which have been approved by Lender, (c) Liens, if any, for Impositions imposed by any Governmental Authority not yet due or delinquent, (d) such governmental, public utility and private restrictions, covenants, reservations, easements, licenses or other agreements that are of public record and that may be granted by Borrower after the Closing Date and which do not have a Material Adverse Effect, or which are approved by Lender in writing, (e) intentionally deleted, and (f) any workers’, mechanics or similar Liens on the Property provided any such Lien is discharged or bonded in accordance with the Loan Documents.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, or any other entity, any Governmental Authority, and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Premiums” means insurance premiums payable for insurance carried on or with respect to the Property.

“Principal Indebtedness” means the principal amount of the entire Loan outstanding as the same may be increased or decreased, as a result of prepayment or otherwise, from time to time.

“Rating Agencies” means each of S&P, Moody’s, Fitch and Morningstar or any other nationally recognized statistical rating agency which has assigned a rating to the Securities.

“Release” with respect to any Hazardous Substance includes but is not limited to any presence, release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances.

“REMIC” means a “real estate mortgage investment conduit”, within the meaning of Section 860D of the Code (or any successor statute) or any substantially similar vehicle for the holding of real estate indebtedness without the incurrence of taxation.

“Remediation” includes but is not limited to any activity to (a) clean up, detoxify, decontaminate, disinfect, contain, treat, remove, respond to, correct, dispose of, transport, or otherwise remediate, prevent, cure or mitigate any Release of any Hazardous Substance; any action to comply with any Environmental Laws or with any permits issued pursuant thereto; or (b) inspect, investigate, study, monitor, assess, audit, sample, test, or evaluate any actual, potential or threatened Release of Hazardous Substances.

“Replacement Costs” means the cost for any and all replacement site and building components, including, but not limited to, the roof and heating, ventilation, and air condition (HVAC) systems at the Property.

“Replacement Costs Reserve Account” means the account held by Lender into which the Replacements Costs Reserve Funds shall be deposited pursuant to this Agreement.

“Replacement Costs Reserve Funds” means an amount equal to the greater of \$0.10 per gross square foot annually, but prorated monthly, which Borrower shall deposit in the Replacement Costs Reserve Account on a monthly basis commencing on the occurrence of Property Stabilization and continuing each month subsequent thereto, which shall be applied toward payment of Replacement Costs in accordance with the provisions of Section 3.6 hereof.

“Reserve Account Funds” means any or all of the funds deposited in the Reserve Accounts.

“Reserve Funds” means, collectively, the Capital Expenditures Reserve Funds, the Interest Reserve Funds, the Operating Expense Reserve Funds, the Tenant Improvements/Leasing Commissions Reserve Funds and the Replacement Costs Reserve Funds.

“Responsible Officer” means with respect to any Person, the chairman of the board, president, chief operating officer, chief financial officer, treasurer, vice president-finance, member or manager of such Person, on behalf of such Person and not individually.

“Restricted Account” shall mean the account established or to be established pursuant to the terms of the Deposit Account Control Agreement, including all replacements or substitutions therefor.

“Rothacker Guarantor” means William R. Rothacker, an individual.

“S&P” means Standard & Poor’s Ratings Group, a division of the McGraw-Hill Companies.

“Second Extension Fee” means an amount equal to Sixty-Nine Thousand Seven Hundred Twenty and 00/100 Dollars (\$69,720.00)(i.e., one-half of one per cent (0.50%) of the Loan Amount).

“Securities Act” means the Securities Act of 1933, as the same shall be amended from time to time.

“Soft Cost Capital Expenditures” means the “soft costs” incurred by Borrower in connection with capital improvements to the Property as set forth in the Approved Capital Expenditures Budget.

“Soft Cost Reserve Funds” means a portion of the Loan Amount equal to the sum of Six Hundred Thirty-Six Thousand and 00/100 Dollars (\$636,000.00), which shall be made available to Borrower only for the payment of Soft Cost Capital Expenditures pursuant to Section 3.4 hereof.

“SRT Guarantor” means Strategic Realty Trust, Inc., a Maryland corporation.

“SRT Guarantor Compliance Certificate” means a compliance certificate substantially in the form of Exhibit A-2 annexed hereto, signed by a Responsible Officer of the SRT Guarantor.

“Stabilization Threshold” means (a) the Property achieving a Debt Yield Ratio of not less than eight and one-half per cent (8.5%) for a trailing period of two (2) consecutive calendar quarters, and (b) not less than ninety per cent (90%) of the Property being leased on the basis of the most recent rent roll for the Property and executed Leases (approved by Lender if and as required hereunder) with the tenants in possession and having commenced paying rent, in each case as determined by Lender in its sole, but reasonable discretion, upon the written request of Borrower or as and when otherwise required to be determined pursuant to and in accordance with the terms, provisions, covenants and conditions of this Agreement.

“State” shall mean the state where the Property is located.

“Tenant Improvements” means alterations to the Improvements undertaken by Borrower with respect to a Lease in order to demise or improve the space demised thereunder (including, but not limited to, changes into the walls, floors, ceilings and lighting of such space).

“Tenant Improvements/Leasing Commissions Reserve Account” means the Reserve Account into which all or any portion of the Tenant Improvements/Leasing Commission Reserves Funds are deposited.

“Tenant Improvements/Leasing Commissions Reserve Funds” means a portion of the Loan Amount equal to the sum of Two Million Thirty-Seven Thousand and 00/100 Dollars (\$2,037,000.00), and which shall be made available to Borrower only for the payment of Tenant Improvements and Approved Leasing Expenses pursuant to Section 3.5 hereof.

“Title Company” means First American Title Insurance Company.

“Title Policy” means the title insurance policy issued on the Closing Date by the Title Company in favor of Lender insuring the Lien of the Security Instrument.

“Transfer” means (a) any conveyance, transfer, sale, assignment, equity pledge or Lien, whether by operation of law or otherwise, of, on or affecting (i) all or any portion of the Property, or (ii) any direct or indirect legal ownership interest in Borrower, and (b) any change in Control of the day to day operations of Borrower and the Property (including, but not limited to, any transfer of any direct or indirect legal economic and/or ownership interest in Borrower that results in: (i) the Rothacker Guarantor owning less than a fifty percent (50%) direct or indirect profits interest in Borrower and/or not having management Control of the day to day operations of Borrower and the Property); or (ii) the SRT Guarantor owning less than a 97.9% direct or indirect ownership interest in the Borrower.

“Trust” means the REMIC (or other transferee pursuant to a Securitization, as to which interests are conveyed to one or more Investors) that holds the Loan.

### **Section 1.1. Location of Additional Defined Terms.**

Defined Term Location

“Additional Equity Funds” Section 5.14(b)  
“Agreement” First Paragraph  
“Approved Annual Budget” Section 5.5(a)(iii)  
“Approved Capital Expenditures Budget” Section 5.5(a)(iii)  
“Assignee” Section 10.2  
“Assignment of Leases” Schedule 2  
“Borrower” First Paragraph  
“Cash Collateral Account” Section 3.7(c)  
“Cash Management Protocols” Section 3.7(d)  
“Casualty Retainage” Section 7.8(b)  
“Casualty” Section 7.5(a)  
“Closing Date” First Paragraph  
“Condemnation Proceeds” Section 7.5(a)  
“Contracts” The Security Instrument  
“Default Rate” The Note  
“Disbursement Certification” Section 3.8(b)  
“Environmental Lien” Section 9.2  
“Equipment” The Security Instrument  
“ERISA Affiliate” Section 4.7  
“Event of Default” Section 8.1  
“Guaranty of Recourse Obligations” Schedule 2  
“Holdback Reserve Funds” Section 5.14(b)  
“Improvements” The Security Instrument  
“Initial Maturity Date” The Note  
“Insolvency Action” Section 8.1(h)  
“Insurance Proceeds” Section 7.5(a)  
“Interest Rate” The Note  
“Interest Reserve Replenishment Funds” Section 3.2(c)

**“Interest Reserve Replenishment Guaranty”** Schedule 2  
**“Inventory”** The Security Instrument  
**“Investor”** Section 10.1  
**“Land”** The Security Instrument  
**“Lender”** First Paragraph  
**“Liabilities”** Section 10.2  
**“Loan”** Recitals  
**“Loan Amount”** Recitals  
**“Material Alterations”** Section 5.2  
**“Material Lease”** Section 5.6(a)  
**“Net Restoration Proceeds”** Section 7.5(a)  
**“Net Worth and Liquidity Requirements”** Section 5.13  
**“Note”** Schedule 2  
**“Participant Register”** Section 10.6  
**“Permits”** The Security Instrument  
**“Permitted Indebtedness”** Exhibit E  
**“Permitted Transfer”** Section 6.1(a)  
**“Property”** The Security Instrument  
**“Register”** Section 10.5  
**“Registered Lender”** Section 10.5  
**“Registrar”** Section 10.5  
**“Rents”** The Security Instrument  
**“Reserve Account”** and **“Reserve Accounts”** Section 3.1(a)  
**“Restoration Proceeds Threshold”** Section 7.5(a)  
**“Restoration Proceeds”** Section 7.5(a)  
**“Restoration”** Section 7.6  
**“Restricted Account”** Section 3.7(c)  
**“Rothacker Guaranty of Recourse Obligations”** Schedule 2  
**“Securities”** Section 10.1  
**“Securitization”** Section 10.1  
**“Security Instrument”** Schedule 2  
**“Servicer”** Section 10.3  
**“Servicing Agreement”** Section 10.3  
**“Single-Purpose Entity”** Exhibit E  
**“SRT Guaranty of Recourse Obligations”** Schedule 2  
**“Successor Borrower”** Section 12.1(e)  
**“Taking”** Section 7.5(a)  
**“Tax and Insurance Monthly Installment”** Section 3.3(d)  
**“Tax And Insurance Reserve Account”** Section 3.3(d)  
**“UCC”** The Security Instrument

**Section 1.2. Principles of Construction.** All references to sections and schedules are to sections and schedules in or to this Agreement unless otherwise specified. All uses of the word “including” shall mean “including, without limitation” unless the context shall indicate otherwise. Unless otherwise specified, the words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular

provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

## **ARTICLE 2 THE LOAN**

### **Section 2.1. The Loan.**

(a) **Initial Advance.** On the Closing Date, Borrower shall receive an initial advance of the Loan Amount in an amount equal to the Initial Advance. The remaining (unfunded) portion of the Loan Amount shall be made available to Borrower pursuant to the terms, provisions, covenants and conditions of Section 2.1(b) and/or Article 3, as applicable. No amounts borrowed under this Section 2.1(a) and and/or Article 3 and repaid may be re-borrowed.

(b) **Mandatory Advance.** On November 1, 2020, provided an Event of Default does not exist (unless waived by Lender, in its sole and absolute discretion), the then unfunded portion of the Hard Cost Reserve Funds and the Tenant Improvements/Leasing Commissions Reserve Funds shall be deposited in the Capital Expenditures Reserve Account and/or the Tenant Improvements/Leasing Commissions Reserve Account, as the case may be, and thereafter applied and disbursed toward the payment of Hard Cost Capital Expenditures and/or Approved Leasing Expenses, pursuant to and in accordance with the terms, provisions, covenants and conditions of Section 3.4(b) hereof and Section 3.5(b) hereof, as the case may be. All amounts so advanced under this Section 2.1(b) shall earn interest from and after the date so advanced and deposited into the applicable Reserve Account, and no amounts borrowed under this Section 2.1(b) and/or Article 3 and repaid may be re-borrowed.

(c) Borrower's obligation to pay the Indebtedness is evidenced by this Agreement and by the Note and secured by the Security Instrument and the other Loan Documents to the extent provided therein.

### **Section 2.2. Interest Rate; Payments; Prepayment.**

(a) Interest Rate; Payments. The Indebtedness shall accrue interest at the rates and in the manner set forth in the Note. Borrower shall make payments of principal and interest at the times and in the manner set forth in the Note.

(b) Prepayment. Borrower shall not be permitted at any time to prepay all or any part of the Loan except as expressly provided in the Note.

**Section 2.3. Extension Option.** The Borrower may request that Lender extend the Initial Maturity Date pursuant to and in accordance with the terms, provisions covenants and conditions of (and in the manner set forth in) Section 2(c) of the Note.

### **Section 2.4. Origination Fee; Exit Fee.**

(a) On the Closing Date, Borrower shall pay the Origination Fee to Lender.

(b) On the Maturity Date (or sooner repayment or acceleration of the Loan), Borrower shall pay the Exit Fee to Lender.

**ARTICLE 3**  
**RESERVE ACCOUNTS;**  
**RESTRICTED ACCOUNT; CASH COLLATERAL ACCOUNT**

**Section 3.1. Reserve Accounts Generally.**

(a) Establishment. On the Closing Date, the Interest Reserve Funds, the Operating Expense Reserve Funds and the Soft Cost Reserve Funds shall be deposited with Lender into the Interest Reserve Account, the Operating Expense Reserve Account and the Capital Expenditures Reserve Account, as the case may be. On the date specified in Section 2.1(b) hereof, provided an Event of Default does not exist (unless waived by Lender, in its sole and absolute discretion), the then unfunded portion of the Hard Cost Reserve Funds and the Tenant Improvements/Leasing Commissions Reserve Funds shall be deposited in the Capital Expenditures Reserve Account and/or the Tenant Improvements/Leasing Commissions Reserve Account, as the case may be. Each of the reserve accounts referred to in this Article 3 (including the Tax And Insurance Reserve Account, the Replacement Costs Reserve Account and the Excess Cash Flow Account referred to below) is established with or for the benefit of Lender for the purpose of holding the funds deposited therein pursuant to the terms, provisions, covenants and conditions of this Agreement and is individually referred to herein as a “Reserve Account” and collectively as the “Reserve Accounts.” Each Reserve Account shall be a custodial account established by and with Lender and shall not constitute a trust fund. At Lender’s option, funds deposited into a Reserve Account may be commingled with other money held by Lender or its servicer. Borrower acknowledges and agrees that funds in the Reserve Accounts are subject to the sole dominion, control and discretion of Lender, its authorized agents or designees, subject to the terms hereof and that the funds therein shall not earn interest. Borrower shall not have the right to make any withdrawals from any Reserve Account except pursuant to and in accordance with the terms, provisions, covenants and conditions of this Agreement.

(b) Disbursements of Reserve Account Funds. Any unfunded Reserve Funds and/or any Reserve Account Funds then on deposit in the Reserve Accounts shall be disbursed to Borrower for the respective purposes set forth in, and otherwise pursuant to and in accordance with the terms, provisions, covenants and conditions of, this Article 3.

(c) Processing Fee. Lender shall be entitled to a processing fee not to exceed Five Hundred and 00/100 Dollars (\$500.00) per request for each disbursement of Capital Expenditures Reserve Funds, which Lender may deduct from the Capital Expenditures Reserve Account at the time of the applicable disbursement.

(d) Application upon Event of Default. Notwithstanding anything to the contrary contained herein, upon the occurrence and during the continuance of an Event of Default, (i) any amounts deposited into and/or remaining in any Reserve Account may be withdrawn by Lender and thereafter applied by Lender in any manner towards the Indebtedness (and/or the Operating

Expenses) as Lender may elect in Lender's discretion, and (ii) Borrower shall thereafter have no further right in respect of the Reserve Accounts so utilized.

### **Section 3.2. Interest Reserve Funds.**

(a) The Interest Reserve Funds shall be used for the payment, pursuant to Section 3.2(b) below, of the monthly installments of Interest due on a Payment Date.

(b) On each Payment Date, the Interest Reserve Funds shall, if Borrower has furnished Lender with a Draw Request no less than five (5) Business Days prior to such Payment Date, be used by Lender to pay all or a portion of the monthly installment of Interest due on such Payment Date, provided that at such time the applicable Disbursement Conditions have been satisfied, and provided further, that if Borrower has not furnished Lender with a Draw Request, as aforesaid, the Interest Reserve Funds may, at Lender's sole option, nonetheless still be used by Lender to pay all or a portion of the monthly installment of Interest due on such Payment Date. In addition, if there are no Interest Reserve Funds then available therefor, at Lender's sole option, Lender may then make such disbursement from the then available Operating Expense Reserve Funds, if any.

(c) If and when (from time-to-time and each time) the funds in the Interest Reserve Account fall below the Minimum Interest Reserve Account Amount: (i) Borrower shall replenish the funds in the Interest Reserve Account by promptly depositing with Lender an amount equal to the sum necessary to cause the funds in the Interest Reserve Account to equal Three Hundred Thousand and 00/100 Dollars (\$300,000.00) (the "Interest Reserve Replenishment Funds"); and (ii) the Interest Reserve Funds shall not be made available to Borrower unless and until the Interest Reserve Replenishment Funds have been so deposited with Lender, as aforesaid.

### **Section 3.3. Operating Expense Reserve Funds; Tax and Insurance Monthly Installment.**

(a) The Operating Expense Reserve Funds shall be used for the payment, pursuant to Section 3.3(b) below, of the Operating Expenses.

(b) Within ten (10) Business Days after each Payment Date, the Operating Expense Reserve Funds shall, if Borrower has furnished Lender with a Draw Request no less than five (5) Business Days prior to such Payment Date, be used by Lender (subject to Section 3.3(c) below) to pay to Borrower all or a portion of the estimated Operating Expenses for the month following such Payment Date, provided that at such time the applicable Disbursement Conditions have been satisfied.

(c) Borrower shall deliver to Lender, within thirty (30) days of the end of each quarter, a Reconciliation Statement for the prior quarter. After review of the Reconciliation Statement by Lender, Borrower shall, if requested by Lender, also deliver to Lender copies of the applicable invoices and bills for any such Operating Expenses for which disbursements have been made for the prior three (3) month period. In the event that the Reconciliation Statement shows that actual Operating Expenses incurred for the prior three (3) month period were less than the amount of the

Lender's disbursement to Borrower of the Operating Expense Reserve Funds for such prior three (3) month period (i.e., the amount disbursed by Lender to Borrower for such prior three (3) month period was more than what was actually required), such excess shall be deducted from the amount to be disbursed from the Operating Expense Reserve Funds for the calendar month following such three (3) month period (and furthermore, in the event that the Reconciliation Statement also shows that Interest actually accrued on the Loan for the prior three (3) month period was more than the amount of the Lender's disbursement of the Interest Reserve Funds for such prior three (3) month period (i.e., the amount disbursed by Lender for such prior to three (3) month period was less than what was actually required), either (1) such deficiency shall be deducted by Lender from the then available Interest Reserve Funds; or (2) if Interest Reserve Funds are not then available, Borrower shall pay the same on the next Payment Date).

(d) On each Payment Date, one-twelfth (1/12th) of the annual amount of (A) Impositions, and (B) Premiums (collectively, the "Tax and Insurance Monthly Installment") shall be deposited by Borrower into a custodial account established with Lender (the "Tax And Insurance Reserve Account"). The initial amount of the Tax and Insurance Monthly Installment as of the Closing Date is equal to Fifteen Thousand Three Hundred Ten and 61/100 Dollars (\$15,310.61), and the initial amount of the total funds on deposit in the Tax and Insurance Reserve Account as of the Closing Date is equal to Forty Four Thousand Nine Hundred Ninety Nine and 36/100 Dollars (\$44,999.36). Lender may re-calculate the foregoing initial amount of the Tax and Insurance Monthly Installment from time to time in order to assure that funds are reserved in sufficient amounts to enable the payment of Impositions and Premiums thirty (30) days prior to their respective due dates, and if such amounts for the then current Fiscal Year or payment period are not ascertainable by Lender at the time a Tax and Insurance Monthly Installment is required to be made, the amount of the Tax and Insurance Monthly Installment shall be Lender's reasonable estimate based on one-twelfth (1/12th) of the aggregate Impositions and Premiums for the prior Fiscal Year or payment period, with adjustments reasonably determined by Lender. Provided an Event of Default does not then exist, Lender shall make payments of Impositions and Premiums out of the Tax and Insurance Reserve Account before the same shall be due and payable or otherwise delinquent to the extent that there are funds then available in the Tax and Insurance Reserve Account and Lender has received appropriate documentation from Borrower in order to establish the amount(s) due and the due date(s) for the payment of the same at least thirty (30) days prior to the respective due date(s).

(e) Notwithstanding Section 3.3(d) above, the Tax and Insurance Monthly Installment due on each Payment Date shall, provided the Operating Income is insufficient for Borrower to pay the same, be paid out of the Operating Expense Reserve Funds (rather than by Borrower), but only to the extent such funds are available.

### **Section 3.4. Capital Expenditures Reserve Funds.**

(a) The Soft Cost Reserve Funds shall be used for the payment of Soft Cost Capital Expenditures, and the Hard Cost Reserve Funds shall be used for the payment of Hard Cost Capital Expenditures, in each case pursuant to Section 3.4(b) below.

(b) Borrower shall be entitled to receive disbursements from Lender from time to time during the term of the Loan of the Soft Cost Reserve Funds to pay for Soft Cost Capital

Expenditures, and the Hard Cost Reserve Funds to pay for Hard Cost Capital Expenditures, provided that at such time the applicable Disbursement Conditions have been satisfied, and provided, further, that in each case, Borrower's Draw Request for such disbursement must be received by Lender at least ten (10) Business Days prior to the requested disbursement date for the payment thereof.

(c) In furtherance of the foregoing, it is the intention of Borrower and Lender that: (i) disbursements for Capital Expenditures shall be made either to Borrower as reimbursements for the prior payment of the same, or as a direct payment to the contractor or vendor performing the Capital Expenditures for which such disbursements are being made; (ii) neither the Capital Expenditures Reserve Funds (nor any funds in any other Reserve Account) shall be made available or otherwise disbursed hereunder for payment of any construction management or similar fees payable to the Manager under the Management Agreement; and (iii) Borrower shall submit no more than one (1) request for disbursement of Capital Expenditures Reserve Funds every thirty (30) calendar days (it being the intention of the parties that at no point shall such requests occur more than once during each calendar month).

(d) Borrower shall complete any and all of the Capital Expenditures in a timely manner and free and clear of any mechanic's liens, materialmen's liens and equitable liens or any other Liens, and otherwise in accordance with applicable Legal Requirements. In connection therewith, if required by Lender at the time of any disbursement (but also on no less than a semi-annual basis until the Capital Expenditures contemplated by the Approved Capital Expenditures Budget have been completed), Lender shall have received, at the cost and expense of Borrower, a "date-down" endorsement to Lender's title insurance policy showing no new exceptions (other than those approved by Lender) and reciting the increased policy coverage amount based upon the latest disbursement of the Capital Expenditures Reserve Funds.

### **Section 3.5. Tenant Improvements/Leasing Commissions Reserve Funds.**

(a) The Tenant Improvements/Leasing Commissions Reserve Funds shall be used for the payment, pursuant to Section 3.5(b) below, of the Approved Leasing Expenses.

(b) Borrower shall be entitled to receive disbursement of the Tenant Improvements/Leasing Commissions Reserve Funds from Lender from time to time during the term of the Loan to pay for Approved Leasing Expenses, provided that at such time the applicable Disbursement Conditions have been satisfied, and provided, further, that in each case, Borrower's Draw Request for such disbursement must be received by Lender at least ten (10) Business Days prior to the requested disbursement date for the payment of any such Approved Leasing Expenses.

(c) In furtherance of the foregoing, it is the intention of Borrower and Lender that: (i) disbursements for Approved Leasing Expenses shall be made either to Borrower for the prior or future payment of the same, or as a direct payment to the vendor or contractor performing the Tenant Improvements or otherwise entitled to payment of the Approved Leasing Expenses for which such disbursements are being made; (ii) neither the Tenant Improvements/Leasing Commissions Reserve Funds (nor any funds in any other Reserve Account) shall be made available or otherwise disbursed hereunder for payment of any construction management or similar fees payable to the Manager under the Management Agreement; and (iii) Borrower shall submit no more

than one (1) request for disbursement of Tenant Improvements/Leasing Commissions Reserve Funds every thirty (30) calendar days (it being the intention of the parties that at no point shall such requests occur more than once during each calendar month).

(d) Borrower shall complete any and all of the Tenant Improvements in a timely manner and free and clear of any mechanic's liens, materialmen's liens and equitable liens or any other Liens, and otherwise in accordance with the applicable legal requirements. In connection therewith, if required by Lender at the time of any disbursement (but also on no less than a semi-annual basis until the Tenant Improvements have been completed), Lender shall have received, at the cost and expense of Borrower, a "date-down" endorsement to Lender's title insurance policy showing no new exceptions (other than those approved by Lender) and reciting the increased policy coverage amount based upon the latest disbursement of the Tenant Improvements/Leasing Commissions Reserve Funds.

### **Section 3.6. Replacement Costs Reserve Account.**

(a) Upon the occurrence of Stabilization Threshold, Borrower shall establish the Replacement Costs Reserve Account with Lender into which Borrower shall thereafter deposit the Replacement Costs Reserve Funds on a monthly basis, which Replacement Costs Reserve Funds shall be used for the payment, pursuant to Section 3.6(b) below, of future Replacement Costs at the Property.

(b) Borrower shall be entitled to receive disbursement of the Replacement Costs Reserve Funds from Lender (which Lender agrees to disburse in accordance with this Agreement) from time to time during the term of the Loan to pay for Replacement Costs at the Property, provided that at such time the applicable Disbursement Conditions have been satisfied, and provided, further, that in each case, Borrower's Draw Request for such disbursement must be received by Lender at least ten (10) Business Days prior to the requested disbursement date for the payment of any such Replacement Costs.

(c) In furtherance of the foregoing, it is the intention of Borrower and Lender that Borrower shall submit no more than one (1) request for disbursement of funds from the Replacement Costs Reserve Account every thirty (30) calendar days (it being the intention of the parties that at no point shall such requests occur more than once during each calendar month).

### **Section 3.7. Deposit Account; Excess Cash Flow Account.**

(a) On or before the Closing Date, Borrower shall establish the Deposit Account with the Account Bank pursuant to the Deposit Account Control Agreement, whereby Borrower agrees to cause the Operating Income to be paid to and deposited into the Deposit Account.

(b) The Deposit Account shall be in the name of Borrower for the sole and exclusive benefit of Lender. Borrower acknowledges and agrees that: (i) the Deposit Account is subject to the sole and absolute dominion, control and discretion of Lender; (ii) Borrower shall not have any right of withdrawal or control with respect to the Deposit Account or disbursements therefrom (except pursuant to and in accordance with the terms, provisions, covenants and conditions

of this Agreement and the Deposit Account Control Agreement); and (iii) any Rents or other Operating Income from the Property received by Borrower or Manager prior to deposit in the Deposit Account shall: (1) be deemed to be Property and shall be held in trust for the benefit, and as the property, of Lender, (2) not be commingled with any other funds or property of Borrower or Manager, and (3) be deposited in the Deposit Account within three (3) Business Days of receipt.

(c) Borrower shall simultaneously with the establishment of the Deposit Account Control Agreement (and from time-to-time thereafter) send an irrevocable instruction letter signed by Borrower (and/or Manager, if any), in the form annexed as Exhibit F (a “Tenant Direction Letter”), to each tenant then or thereafter at the Property, simultaneously with the execution and delivery of the Lease for each tenant at the Property, the purpose of which Tenant Direction Letter is to instruct each tenant at the Property to send all Rents directly to the Deposit Account or, if paying by check, to the lockbox address specified in the Deposit Account Control Agreement. Without the prior written consent of Lender, neither Borrower nor Manager shall (i) terminate, amend, revoke or modify any Tenant Direction Letter in any manner whatsoever, or (ii) direct or cause any tenant to pay any amount in any manner other than as provided in the related Tenant Direction Letter.

(d) On each day of each calendar month following the establishment of the Deposit Account, as aforesaid and until the occurrence of the Stabilization Threshold, the Account Bank shall (as long as no Event of Default shall have occurred and be continuing), from and to the extent of the Operating Income deposited in the Deposit Account, transfer all amounts then on deposit in the Deposit Account (in excess of the minimum balance) to an account designated by Borrower (the “Operating Account”) as set forth in the Deposit Account Control Agreement. Borrower shall use such funds deposited by the Account Bank into the Operating Account, as aforesaid, to: (i) pay the Debt Service then due and payable; (ii) pay the Operating Expenses (including any Tax and Insurance Monthly Installment, as well as Replacement Costs, if applicable) then due and payable; (iii) on or before the twentieth (20th) day of each calendar month, remit the remaining Net Operating Income for the immediately preceding calendar month, if any, to Lender by wire transfer of immediately available Federal funds, which shall be held by Lender in the Excess Cash Flow Account as additional collateral for the Indebtedness; and (iv) furnish Lender, if and as required by Lender, a quarterly reconciliation statement (the “Reconciliation Statement”), in form, scope and substance acceptable to Lender, acting reasonably, showing the Operating Income, the Operating Expenses, the Debt Service paid and the Replacement Costs deposited into the Replacement Costs Reserve Account, as well as the Net Operating Income, for such immediately preceding calendar quarter (the aforementioned obligations of Borrower as set forth in the immediately preceding sub-paragraphs (i), (ii), (iii) and (iv), inclusive, together with the obligations of Borrower regarding the Tenant Direction Letters as set forth in Section 3.7(c) hereof, collectively, the “Cash Management Protocols”).

(e) Upon the initial occurrence (or any subsequent occurrence following any reimplementations of the Cash Management Protocols pursuant to and in accordance with Section 3.7(f) hereof) of the Stabilization Threshold: (i) the Account Bank shall (as long as no Event of Default shall have occurred and is continuing), from and to the extent of the Operating Income deposited in the Deposit Account, transfer all amounts then on deposit in the Deposit Account (in excess of the minimum balance) to the Operating Account as set forth in the Deposit Account Control

Agreement; and (ii) Borrower shall use such funds deposited by the Account Bank into the Operating Account, as aforesaid, to: (A) pay the Debt Service then due and payable; and (B) pay the Operating Expenses (including any Replacement Costs, if applicable) then due and payable, provided, however, the Borrower shall no longer be required to remit the remaining Net Operating Income to the Excess Cash Flow Account pursuant to and in accordance with Section 3.7(d) hereof, and any and all funds in the Excess Cash Flow Account at such time shall (provided an Event of Default has not previously occurred, and provided, further, that each of the applicable Reserve Accounts shall have sufficient funds therein at such time (as determined by Lender) in order to pay the items and expenses for which each such Reserve Account has been established) be refunded to Borrower.

(f) In furtherance of the foregoing provisions of Section 3.7(e) hereof, in the event that, at any time subsequent to the initial (or any subsequent) occurrence of the Stabilization Threshold, the Stabilization Threshold shall not be satisfied on the applicable date of measurement, the Cash Management Protocols shall be re-implemented and continue thereafter until the next occurrence of the Stabilization Threshold.

(g) Upon the occurrence and during the continuance of an Event of Default (i) the Account Bank shall no longer transfer all amounts then on deposit in the Deposit Account (in excess of the minimum balance) to the Operating Account; (ii) any and all funds then or thereafter on deposit in the Deposit Account shall be disbursed by the Account Bank to a separate Lender-controlled Reserve Account in accordance with Lender's instructions; and (iii) such funds may be thereafter applied by Lender to amounts owing in connection with the Loan and for the payment of Operating Expenses, in such order of priority as Lender shall determine in Lender's sole and absolute discretion.

(h) Borrower hereby grants to the Lender (and shall at all times maintain in favor of Lender) a continuing, perfected, first-priority Lien and security interest in and to the Deposit Account, the Excess Cash Flow Account, the separate Lender-controlled Reserve Account referred to in Section 3.7(g) hereof and any and all funds now or hereafter deposited therein at any time, the proceeds thereof and any interest and/or accruals thereon, to further secure the Indebtedness and all obligations now or hereafter owing by Borrower to Lender under the Loan Documents.

### **Section 3.8. Minimum Disbursement Amount; Waiver of Minor Non-Compliance; Reallocations Among Reserves.**

(a) Each disbursement request by Borrower of any of the Capital Expenditures Reserve Funds (except for the final disbursement thereof), shall, if required by Lender, be in amounts of not less than the Minimum Disbursement Amount.

(b) In connection with the funding of a particular Draw Request by Borrower from time-to-time of any of the of the Capital Expenditure Reserve Funds, Tenant Improvements/Leasing Commissions Reserve Funds and/or the Replacement Costs Reserve Funds: (i) Borrower shall submit, for Capital Expenditures, Tenant Improvements/Leasing Commissions Reserve Funds and/or Replacement Costs, a completed disbursement certification (the "Disbursement Certification") in the form attached hereto as Exhibit G (which shall also include the normal and customary "Reserve Withdrawal Request Summary" and "Full Draw Package"), and (x) Lender shall disburse (unless

a manifest error exists) the amount requested in the Disbursement Certification, provided that: (1) the amount requested in the Disbursement Certification is also otherwise in accordance with terms, provisions, covenants and conditions of this Agreement; and (2) Lender has not advised Borrower in writing that a previously submitted Disbursement Certification was in error or incomplete; it being the intention of Borrower and Lender that in such case, Borrower shall first furnish Lender with such additional information as is reasonably necessary in order to correct such error or supply such missing information or materials before any further disbursements are made by Lender in connection with the submission by Borrower of any pending, new or additional Disbursement Certifications; (ii) Lender may, at Lender's option, waive non-compliance by Borrower with one or more of the terms, provisions, covenants and conditions in this Article 3 applicable thereto, or non-compliance of other non-monetary terms, provisions, covenants and conditions in this Agreement, in each case for a period of up to ninety (90) days; and (iii) the existence of a non-monetary Event of Default (including, but not limited to, the failure of Borrower or Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof), beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice, shall not prohibit the funding of such Draw Request (it being the intention of the Parties that a Draw Request shall be funded in such case as long as all of the other applicable disbursement conditions with respect thereto have been satisfied).

(c) If, at any time, Borrower shall request that the Reserve Funds for any category of cost or expense shown in the Approved Capital Expenditures Budget be reallocated to another category of cost or expense, Lender shall consider such request on a case-by-case basis for such reallocation in its sole, but reasonable discretion, provided, however, that under no circumstances shall Lender be obligated to consider such a request unless Borrower has first demonstrated to Lender's satisfaction, in Lender's sole, but reasonable discretion, that the Loan continues to remain In Balance (as defined below) following any such reallocation; and provided, further, that neither the Interest Reserve Funds nor the Operating Expense Reserve Funds categories are reduced (unless Lender agrees to such reduction, acting reasonably under the circumstances at such time). For purposes hereof, the term "In Balance" means that the total of the available funds (as determined by Lender, in its sole, but reasonable discretion) for the Capital Expenditures and/or the Approved Leasing Expenses equals or exceeds the costs therefor, as set forth on the Approved Capital Expenditures Budget and/or the Approved Annual Budget, as the case may be, including any contingency reserves shown thereon.

(d) In connection with the funding of a particular Draw Request by Borrower from time-to-time of any of the Reserve Funds, Lender may, at Lender's option, make such disbursement directly to either the particular vendor/contractor or to Borrower (with proof of payment to thereafter be submitted to Lender prior to the funding of the next subsequent Draw Request to Borrower).

(e) For avoidance of doubt with respect to certain disbursements to be made hereunder, Borrower acknowledges and agrees that disbursements of Interest Reserve Funds (and other escrow amounts) are based on the actual amounts due and payable, and that disbursements of Operating Expense Reserve Funds are based on the Approved Annual Budget, in each case subject to a periodic reconciliation and adjustment as set forth further in this Agreement.

**Section 3.9. Interest on Reserve Accounts; Use of Remaining Reserve Funds; Refund of Remaining Funds.**

(a) Borrower shall not be entitled to any earnings or interest on funds deposited into the Reserve Accounts (nor shall any of the Remaining Reserve Funds or any funds in any of the Reserve Accounts be made available or disbursed to Borrower under any circumstances for any legal expenses incurred in connection with the closing of the Loan).

(b) At such time as the Capital Expenditures contemplated by the Approved Capital Expenditures Budget have been completed, or if subsequent to the occurrence of the Stabilization Threshold, the Reserve Account Funds then remaining in the Reserve Accounts will no longer need to be utilized by Borrower for their intended purposes, upon the prior written request of Borrower, Lender shall, in either case in response to Borrower's request, either (i) apply such Reserve Account Funds towards the reduction of the Principal Indebtedness; or (ii) disburse such Reserve Account Funds to Borrower.

(c) Upon full repayment of the Indebtedness, Lender shall also promptly thereafter refund to Borrower the Reserve Account Funds (if any) remaining in the Reserve Accounts.

**Section 3.10. Sole Dominion and Control.** Borrower acknowledges and agrees that the Reserve Accounts are subject to the sole dominion, control and discretion of Lender, its authorized agents or designees, subject to the terms hereof, and, except as set forth otherwise in the Loan Documents, Borrower shall have no right of withdrawal or distributions with respect to the funds in any of the Reserve Accounts.

**Section 3.11. Security Interest.** Borrower hereby grants to Lender a first priority security interest in each of the Reserve Accounts and the funds deposited therein as additional security for the Indebtedness.

**Section 3.12. Rights on Default.** Notwithstanding anything to the contrary in this Article 3, upon the occurrence of an Event of Default, and for so long as such Event of Default continues: (a) Lender shall have the right to liquidate and transfer any amounts then invested in any of the Reserve Accounts (and utilize any ACH form or forms provided by Borrower to Lender in connection therewith and also apply any and all such amounts towards the payment of the Indebtedness in such order and priority as Lender shall determine, in its sole discretion), or reinvest such amounts in other investments as Lender may reasonably determine is necessary to perfect or protect any security interest granted or purported to be granted hereby or pursuant to the other Loan Documents or to enable Lender to exercise and enforce Lender's rights and remedies hereunder or under any other Loan Document with respect to any of the Reserve Accounts or any funds deposited therein, and (b) Lender shall have all rights and remedies with respect to the Reserve Accounts, and the funds on deposit therein, as described in this Agreement and in the Security Instrument, in addition to all of the rights and remedies available to a secured party under the UCC, and, notwithstanding anything to the contrary contained in this Agreement or in the Security Instrument, Lender may apply the amounts in any or all of such Reserve Accounts, as Lender determines in its sole discretion including, but not limited to, payment of the Indebtedness.

**Section 3.13. Financing Statement; Further Assurances.** Borrower hereby authorizes Lender to file, and upon Lender's request shall execute and deliver to Lender for filing a financing statement or statements under the UCC in connection with any of the Reserve Accounts, and the funds on deposit with respect thereto in the form required to properly perfect Lender's security interest therein, if and to the extent that under applicable law a security interest in any and all of such Reserve Accounts, and any and all such funds on deposit therein, may be properly perfected by the filing of one or more financing statements. Borrower agrees that at any time and from time to time, at the expense of Borrower, Borrower will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Lender may request, in order to perfect and protect any security interest granted or purported to be granted hereby, if and to the extent that under applicable law a security interest in any and all of such Reserve Accounts, and any such funds on deposit therein, may be properly perfected by the filing of one or more financing statements, or to enable Lender to exercise and enforce its rights and remedies hereunder with respect to any and all of the Reserve Accounts, or any funds on deposit therein.

**Section 3.14. Borrower's Obligation Not Affected.** The insufficiency of funds on deposit in the Reserve Accounts shall not absolve Borrower of the obligation to make any payments, as and when due pursuant to this Agreement and the other Loan Documents, and such obligations shall be separate and independent, and not conditioned on any event or circumstance whatsoever.

**Section 3.15. Property Inspections; Draw Requests.**

(a) Lender shall also have the right to inspect the Property up to two (2) times each Fiscal Year, at reasonable times and upon reasonable prior notice to Borrower, in order to, among other things, evaluate the condition of the Property and the progress of any construction or other tenant improvement work being performed at the Property pursuant to and in accordance with the Approved Capital Expenditures Budget, the Approved Annual Budget or otherwise (and Borrower will pay all of Lender's actual, out-of-pocket costs, fees and expenses associated with such inspections, which may include fees and costs of an independent, third-party inspector).

(b) For avoidance of doubt with respect the submission of a Draw Request or other requests for the disbursement of Reserve Funds, Borrower acknowledges and agrees that: (i) each such request shall also include a certificate (along with a summary page), email or letter, in form, scope and substance acceptable to Lender, from the Borrower specifically outlining, among other things, the amount(s) requested; (ii) site inspections for such requests (for the disbursement of Reserve Funds other than Interest Reserve Funds) shall occur for all disbursements of One Hundred Thousand and 00/100 Dollars (\$100,000.00) or more, but in all cases not less frequently than for every other such request (regardless of the amount of the disbursements); and (iii) the submission of invoices with such requests (for the disbursement of Reserve Funds other than Interest Reserve Funds) are not required for amounts of less than Ten Thousand and 00/100 Dollars (\$10,000.00).

**Section 3.16. Interest Rate Protection Agreement.**

(a) Borrower shall enter into the Interest Rate Protection Agreement on or before the Closing Date, covering the period from the Closing Date through and including Initial Maturity

Date. Borrower shall also collaterally assign to Lender all of Borrower's right, title and interest in any and all payments under the Interest Rate Protection Agreement and shall deliver to Lender an executed counterpart of the same and obtain the consent of the counterparty thereto (as evidenced by such counterparty's execution of a separate acknowledgment), all on forms acceptable to Lender.

(b) Upon the occurrence and during the continuance of an Event of Default, Counterparty shall make all payments under the Interest Rate Protection Agreement to such address as Lender shall at such time notify Counterparty, to be applied by Lender towards the Indebtedness, in such order of priority as Lender shall determine.

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

Borrower represents, warrants and covenants to Lender as of the Closing Date as follows:

**Section 4.1. Organization.** Borrower (a) is duly organized and validly existing in good standing under the laws of the State of its formation, (b) is duly qualified to do business in each jurisdiction in which the nature of its business or any of the Property makes such qualification necessary, (c) has the requisite power and authority to carry on its business as now being conducted, and (d) has the requisite power to execute and deliver, and perform its obligations under, the Loan Documents.

**Section 4.2. Authorization.** The execution and delivery by Borrower of the Loan Documents, Borrower's performance of its obligations thereunder and the creation of the Liens provided for in the Loan Documents (a) have been duly authorized by all requisite action on the part of Borrower, (b) will not violate any provision of any applicable Legal Requirements, and (c) will not be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or result in the creation or imposition of any Lien of any nature whatsoever upon any of the property or assets of Borrower pursuant to, any indenture or agreement or instrument. Except for those obtained or filed on or prior to the Closing Date, Borrower is not required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any Governmental Authority in connection with or as a condition to the execution, delivery or performance of the Loan Documents. The Loan Documents to which Borrower is a party have been duly executed and delivered by such parties.

**Section 4.3. Enforceability.** The Loan Documents executed by Borrower and Guarantor in connection with the Loan are the legal, valid and binding obligations of Borrower and Guarantor, as the case may be, enforceable against Borrower and Guarantor, as the case may be, in accordance with their terms, subject only to bankruptcy, insolvency and other limitations on creditors' rights generally and to equitable principles. Such Loan Documents are, as of the Closing Date, not subject to any right of rescission, set-off, counterclaim or defense by Borrower and/or Guarantor, as the case may be, including the defense of usury.

**Section 4.4. Litigation.** There are no actions, suits or proceedings at law or in equity by or before any Governmental Authority now pending and served or, to Borrower's knowledge,

threatened, involving or concerning Borrower, Guarantor, or the Property, which would have a Material Adverse Effect on the Loan if adjudicated adversely to such party.

**Section 4.5. Full and Accurate Disclosure.** No statement of fact made by or on behalf of Borrower in the Loan Documents or in any other document or certificate delivered to Lender by Borrower contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect. Except as otherwise disclosed in writing to Lender, there has been no material adverse change in the financial position of Borrower or the Property, or in the results of operations of Borrower. Borrower has not incurred any obligation or liability, contingent or otherwise, not reflected in such financial data which might materially adversely affect its business operations or the Property.

**Section 4.6. Compliance.** To Borrower's knowledge, Borrower, the Property and Borrower's use thereof and operations thereat comply in all material respects with all applicable Legal Requirements (other than final construction-related permits). Borrower has obtained (in its own name) all Permits necessary to use and operate the Property, and all such Permits are in full force and effect.

**Section 4.7. ERISA.** Neither Borrower nor any ERISA Affiliate (as defined below) maintains, contributes to, has any obligation to contribute to, or has any direct or indirect liability with respect to any "employee benefit plan," "multiemployer plan," or any other "plan" (each as defined in ERISA). Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, a "plan," as defined in Section 4975(e)(1) of the Code, subject to Code Section 4975, or a "governmental plan" within the meaning of Section 3(32) of ERISA. None of the assets of Borrower constitutes "plan assets" of one or more of any such plans under 29 C.F.R. Section 2510.3-101 or otherwise. Transactions by or with Borrower do not violate state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans and such state statutes do not in any manner affect the ability of the Borrower to perform its obligations under the Loan Documents or the ability of Lender to enforce any and all of its rights under the Loan Agreement. If an investor or direct or indirect equity owner in Borrower is a plan that is not subject to Title I of ERISA or Section 4975 of the Code, but is subject to the provisions of any federal, state, local, non-U.S. or other laws or regulations that are similar to those portions of ERISA or the Code, the assets of the Borrower do not constitute the assets of such plan under such other laws. "ERISA Affiliate" means any corporation or trade or business that is a member of any group of organizations (a) described in Section 414(b) or (c) of the Code, of which Borrower is a member, and (b) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code, of which Borrower is a member. Borrower shall take or refrain from taking, as the case may be, such actions as may be necessary to cause the representations and warranties in this Section 4.7 to remain true and accurate throughout the term of the Loan.

**Section 4.8. Not Foreign Person.** Borrower is not a “foreign person” within the meaning of § 1445(f)(3) of the Code.

**Section 4.9. Investment Company Act; Public Utility Holding Company Act.** Borrower is not (a) an “investment company” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended, (b) a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” of either a “holding company” or a “subsidiary company” within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

**Section 4.10. Title to the Property; Liens.** Borrower owns good, indefeasible, marketable and insurable title to the Property, free and clear of all Liens, other than the Permitted Encumbrances. The Permitted Encumbrances do not and will not materially and adversely affect (a) the ability of Borrower to pay in full all sums due under the Note or any of its other obligations under the Loan Documents in a timely manner, or (b) the use of the Property for the use currently being made thereof, the operation of the Property as currently being operated or the value of the Property. The Security Instrument creates a valid and enforceable first Lien on the Property and a valid and enforceable first priority security interest in the personal property constituting part of the Property, subject to no Liens other than the Permitted Encumbrances. The Assignment of Leases creates a valid and enforceable first Lien on and a valid and enforceable first priority security interest in all of Borrower’s interest in all Leases, subject to no Liens other than the Permitted Encumbrances.

**Section 4.11. Condemnation.** No Taking has been commenced or, to Borrower’s knowledge, is contemplated with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

**Section 4.12. Utilities and Public Access.** The Property has adequate rights of access to public ways and is served by all utilities required for the current use thereof.

**Section 4.13. Separate Lots.** The Property is comprised of one or more parcels, which constitute a separate tax lot and none of which constitutes a portion of any other tax lot outside the Property.

**Section 4.14. Assessments; Use Fees.** Except as disclosed in the Lender’s title insurance policy (or in the title commitment provided to Lender and forming the basis thereof), there are no pending or, to the knowledge of Borrower, proposed special assessments, use fees or any other special or other assessments for public improvements or otherwise affecting the Property, nor, to the knowledge of Borrower, are there any contemplated improvements to the Property that may result in any such special assessments, use fees or any other special or other assessments (other than the Capital Expenditures and Approved Leasing Expenses).

**Section 4.15. Flood Zone** The Property is not located in a flood hazard area as designated by the Federal Emergency Management Agency.

**Section 4.16. Physical Condition.** Except as disclosed in the engineering report(s) delivered to Lender in connection with the Loan, to Borrower's knowledge, the Property is free of material structural defects and all building systems contained therein are in good working order in all material respects (or will be in good working order upon completion of the Capital Expenditures) subject to ordinary wear and tear.

**Section 4.17. Title Insurance.** To Borrower's knowledge, the Property is covered by an American Land Title Association mortgagee's title insurance policy insuring a valid first lien on the Property, which (a) is in full force and effect, (b) is freely assignable to and will inure to the benefit of Lender and any successor or assignee of Lender, (c) has been paid in full, (d) is issued by a title company licensed in the State where the Property is located, (e) has had no claims made against it, (f) except for the Permitted Encumbrances, contains no exclusions for (i) access or (ii) survey, and (g) lists only the Permitted Encumbrances as exceptions.

**Section 4.18. Leases and Rents.** (a) Borrower is the sole owner of the entire lessor's interest in the Leases, and neither the Leases nor any Rents have been Transferred by Borrower except to Lender pursuant to the Loan Documents (except in connection with prior loans that have been repaid); (b) no Person has any possessory interest in, or right to occupy, the Property except pursuant to Leases and Permitted Encumbrances, and (c) there are no pending contracts of sale in place with respect to a sale of all or any portion of the Property, (d) Leases entered into by Borrower subsequent to the Closing Date will either comply with the Leasing Guidelines or have been otherwise approved by Lender as required under the Loan Documents, and (e) the rent roll for the Property annexed hereto as Schedule 5 is, as of the Closing Date, true, accurate and correct in all material respects.

**Section 4.19. Compliance with Anti-Terrorism, Embargo, Sanctions and Anti-Money Laundering Laws.** Borrower, the Rothacker Guarantor, and to the best of Borrower's knowledge, after having made reasonable inquiry, the SRT Guarantor and each Person owning a direct or indirect interest in Borrower and the SRT Guarantor: (a) is not currently identified on the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control (currently is accessible through the internet website at [www.treas.gov/ofac/t11sdn.pdf](http://www.treas.gov/ofac/t11sdn.pdf).) or any other similar list maintained by the U.S. Treasury Department, Office of Foreign Assets Control pursuant to any Legal Requirements (or if such list does not exist, the similar list then being maintained by the United States), including trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States; (b) is not a Person subject to any trade restriction, trade embargo, economic sanction, or other prohibition under federal law, including the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any executive orders or regulations promulgated thereunder; and (c) is not in violation of Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56), with the result that (A) the investment in Borrower or Guarantor, as applicable (whether directly or indirectly), is prohibited by law, or (B) the Loan is in violation of law.

**Section 4.20. Organizational Chart.** The organizational chart annexed hereto as Exhibit H identifies subsidiaries and equity interests of Borrower and is true, complete and correct in all material respects on and as of the date hereof. The Rothacker Guarantor owns not less than a fifty percent (50%) direct or indirect profits interest in, and has management control of the day to day operations of Borrower and the Property, the SRT Guarantor owns not less than a 97.9% direct or indirect ownership interest in the Borrower, and no Person other than those Persons shown on Exhibit H has any ownership interest in, or right of control, directly or indirectly, in Borrower.

**Section 4.21. Property.** The Property is comprised of approximately 11,803 rentable square feet retail shopping center located at 3032 Wilshire Boulevard in Santa Monica, California.

**Section 4.22. Intentionally Deleted.**

**Section 4.23. Insurance.** Borrower has obtained and has delivered to Lender certificates evidencing all insurance policies described in Article 7, which certificates reflect the insurance coverages, amounts and other requirements set forth in this Agreement. No insurance claims have been made that are currently pending, outstanding or otherwise remain unsatisfied under any such insurance policies and would have a Material Adverse Effect with respect to the Property. No Person, including Borrower, has done, by act or omission, anything which would impair the coverage of any of the insurance policies.

**Section 4.24. Federal Reserve Regulations.** No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or by the terms and conditions of this Agreement or the other Loan Documents.

**Section 4.25. Taxes.** Borrower has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by it and has paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by it. Borrower does not have knowledge of any basis for any material additional assessment in respect of any such taxes and related liabilities for prior years.

**Section 4.26. Employer Identification Number.** The Borrower’s United States employer identification number is 81-1586820.

**Section 4.27. Solvency.** Borrower (a) has not entered into the transaction or executed the Note, this Agreement or any other Loan Documents with the actual intent to hinder, delay or defraud any creditor and (b) has received reasonably equivalent value in exchange for its obligations under the Loan Documents. In Borrower’s opinion, after giving effect to the Loan, the fair saleable value of Borrower’s assets exceeds and will, immediately following the making of the Loan, exceed Borrower’s total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. In Borrower’s opinion Borrower’s assets do not and, immediately following the making of the Loan will not, constitute an insufficient amount of capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to incur debt and liabilities

(including contingent liabilities and other commitments) beyond its ability to pay such debt and liabilities as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower). Except as expressly disclosed to Lender in writing, no petition under the Bankruptcy Code or similar state bankruptcy or insolvency law has been filed against Borrower, Guarantor, or any of the members of Borrower (or against Strategic Realty Operating Partnership, LP, a Delaware limited partnership), if any, in the last seven (7) years, and neither Borrower, the Rothacker Guarantor, nor the SRT Guarantor in the last seven (7) years has ever made an assignment for the benefit of creditors or taken advantage of any insolvency act for the benefit of debtors. Neither Borrower, the Rothacker Guarantor, nor the SRT Guarantor is contemplating either the filing of a petition by it under the Bankruptcy Code or similar state bankruptcy or insolvency law or the liquidation of all or a major portion of Borrower's assets or property, and Borrower has no knowledge of any Person contemplating the filing of any such petition against Borrower, the Rothacker Guarantor, or the SRT Guarantor.

**Section 4.28. Business Purposes.** The Loan is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

**Section 4.29. Forfeiture.** Neither Borrower nor any Affiliate of Borrower in occupancy of or involved with the operation or use of the Property has committed any act or omission affording the federal government or any State or local government the right of forfeiture as against the Property or any material part thereof or any monies paid in performance of Borrower's obligations under the Note, this Agreement or the other Loan Documents. Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture.

**Section 4.30. No Defaults.** Borrower is not in default under this Agreement or any of the other Loan Documents.

**Section 4.31. Survival of Representations.** Borrower agrees that all of the representations and warranties of Borrower set forth in Article 4 and elsewhere in this Agreement and in the other Loan Documents shall survive for so long as any amount remains owing to Lender under this Agreement or any of the other Loan Documents by Borrower. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents by Borrower shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

## **ARTICLE 5 COVENANTS**

Borrower covenants and agrees that, from the Closing Date and until payment in full of the Indebtedness:

**Section 5.1. Compliance with Legal Requirements; Impositions and Other Claims; Contests.**

(a) Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, Permits and franchises necessary for the conduct of its business and shall comply in all respects with all applicable Legal Requirements, Contracts, Permits, and private covenants, conditions and restrictions that at any time apply to Borrower or the Property. Borrower shall notify Lender promptly of any written notice or order that Borrower receives from any Governmental Authority relating to Borrower's failure to comply with such applicable Legal Requirements.

(b) Except to the extent that Lender is obligated to pay Impositions and Premiums from the Tax And Insurance Reserve Account pursuant to the terms of Section 3.3(d) hereof, Borrower shall pay all Impositions and Premiums with respect to itself and the Property in accordance with the terms hereof. Borrower may, at its expense, after prior notice to Lender, contest by appropriate proceedings conducted in good faith and with due diligence, the validity or application of any Legal Requirements, Imposition, or any claims of mechanics, materialmen, suppliers or vendors, and may withhold payment of the same pending such proceedings if permitted by law, as long as (i) in the case of any Impositions or claims of mechanics, materialmen, suppliers or vendors, such proceedings shall suspend the collection thereof from the Property and neither the Property nor any part thereof or interest therein will be sold, forfeited or lost if Borrower pays the amount or satisfies the condition being contested, and Borrower would have the opportunity to do so, in the event of Borrower's failure to prevail in such contest, (ii) Lender would not, by virtue of such permitted contest, be exposed to any risk of civil or criminal liability, (iii) neither the Property nor any part thereof or any interest therein would be subject to the imposition of any Lien for which Borrower has not furnished additional security as provided in clause (iv) below, as a result of the failure to comply with any Legal Requirement of such proceeding which would not be released if Borrower pays the amount or satisfies the condition being contested, and Borrower would have the opportunity to do so, in the event of Borrower's failure to prevail in the contest, and (iv) Borrower shall have furnished to Lender reasonable additional security (or other assurances reasonably acceptable to Lender) in respect of the claim being contested or the loss or damage that may result from Borrower's failure to prevail in such contest in such amount as may be requested by Lender, but in no event less than 125% of the amount of such claim.

**Section 5.2. Maintenance; Waste; Alterations.** Borrower shall at all times keep the Property in good repair, working order and condition, except for reasonable wear and use. Borrower shall not permit the Improvements, Equipment or Inventory to be removed or demolished (provided, however, that Borrower may remove, demolish or alter worn out or obsolete Improvements, Equipment and Inventory that are promptly replaced with Improvements, Equipment or Inventory, as applicable, of equivalent value and functionality, unless Borrower reasonably determines that such replacement is not necessary for the operation of the Property and would not have a Material Adverse Effect). In addition, Borrower may not, without Lender's approval, perform alterations to the Improvements and Equipment which (a) exceed \$100,000 per each separate alteration (not including (i) alterations performed in connection with a Restoration, and (ii) work performed pursuant to Section 5.6), or (b) are not in the ordinary course of Borrower's business (such alterations,

“Material Alterations”). Borrower shall not perform any Material Alteration (other than the Material Alterations contemplated by the Approved Capital Expenditures Budget) unless approved in writing by Lender in Lender’s reasonable discretion. Borrower shall reimburse Lender for all actual costs and expenses incurred by Lender, including the fees charged by any professional engaged by Lender in connection with any such Material Alteration.

**Section 5.3. Access to Property and Records.** Borrower shall permit agents, representatives and employees of Lender (at Lender’s cost and expense if no Event of Default has occurred), to inspect (a) the Property or any part thereof, and (b) such books, records and accounts of Borrower and to make such copies or extracts thereof as Lender shall desire, in each case at such reasonable times as may be requested by Lender upon reasonable advance notice, subject to the rights of tenants under Leases.

**Section 5.4. Management of Property.**

(a) Following substantial completion of the Capital Expenditures, the Property will be managed at all times by the Manager pursuant to the Management Agreement unless terminated as provided in the Loan Documents. Borrower shall diligently perform all terms and covenants of the Management Agreement. Borrower shall not (i) surrender, terminate, cancel, or materially modify the Management Agreement, (ii) enter into any other agreement relating to the management or operation of the Property with Manager or any other Person, (iii) consent to the assignment by Manager of its interest under the Management Agreement, or (iv) waive or release any of its material rights and remedies under the Management Agreement, in each case, without the consent of Lender, which consent shall not be unreasonably withheld or delayed. If at any time Lender consents to the appointment of a new manager, such new manager and Borrower shall, as a condition to Lender’s consent, execute a subordination of management agreement in form and substance reasonably satisfactory to Lender.

(b) Notwithstanding the foregoing, Borrower shall have the right to enter into an agreement subsequent to the Closing Date relating to the management or operation of the Property with the SRT Guarantor, or with a wholly-owned Affiliate of the SRT Guarantor that is also operated by the SRT Guarantor (or any entity or related party acting as an external advisor to the SRT Guarantor), as the replacement manager of the Property (i.e., the SRT Guarantor or such wholly-owned and operated Affiliate of the SRT Guarantor (or any entity or related party acting as an external advisor to the SRT Guarantor) is pre-approved by Lender as a replacement Manager of the Property).

**Section 5.5. Financial and Other Reporting.**

(a) Delivery of Financial Statements. Borrower shall keep adequate books and records of account with respect to its financial condition and the operation of the Property using the Approved Accounting Method, and shall furnish the following to Lender within the time periods specified (unless any of such items are waived or any of such time periods are extended by Lender), each prepared in such detail as reasonably required by Lender and certified by a Responsible Officer to be true, complete and correct in all material respects:

(i) as soon as available, but in any event within thirty (30) days after the end of each calendar quarter, (A) a rent roll for the Property (but only if the Property is occupied); (B) intentionally deleted; (C) a pre-leasing and leasing status report for the Property (in the event that such reports are being provided by a party other than the Borrower, then no Responsible Officer shall be required to certify as to the truth, completeness, correctness or accuracy of such reports), (D) a Reconciliation Statement for the Property detailing, among other things, the Operating Income received, the Operating Expenses incurred and the Interest paid, as of the end of such calendar quarter, as compared to the Approved Annual Budget, (E) a Borrower Compliance Certificate; and (F) an SRT Guarantor Compliance Certificate;

(ii) as soon as available, but in any event within ninety (90) days after the close of each Fiscal Year, (A) an annual operating statement for the Property presented on an annual and/or twelve (12) month basis consistent with the monthly operating statements described above, certified by Borrower to be complete and accurate in all material respects; (B) an annual balance sheet and profit and loss statement for Borrower, certified by Borrower to be complete and accurate in all material respects; and (C) a statement of change of financial position of Borrower, setting forth in comparative form the figures for the previous Fiscal Year;

(iii) on or before the Closing Date, and thereafter as soon as available, but in any event at least thirty (30) days prior to the close of each Fiscal Year, an annual operating budget, capital expenditures budget and forecast for the Property for the up-coming Fiscal Year presented on a monthly basis (consistent with the information required in the monthly operating statements described above and which shall also contain detailed information for the anticipated Operating Expenses and Capital Expenditures for such up-coming Fiscal Year), which budgets shall be subject to Lender's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed (the annual operating budget, including revisions thereto, once each so approved by Lender, as aforesaid, the "Approved Annual Budget," and the capital expenditures budget, including periodic revisions that may be made thereto, once so approved by Lender, as aforesaid, the "Approved Capital Expenditures Budget"). The Approved Annual Budget for 2019 (showing anticipated Operating Expenses for the Property) is attached hereto as Schedule 3 and the Approved Capital Expenditures Budget (showing anticipated Capital Expenditures as of the Closing Date for the Property) is attached hereto as Schedule 4;

(iv) such other financial information regarding Borrower or the Property or property management or leasing information (including, without limitation, copies of Borrowers' state and federal tax returns, information on tenants under Leases to the extent such information is available to Borrower, and an accounting of security deposits) as may reasonably be required by Lender from time to time.

(b) Lender Examination Rights. Lender and its agents have the right, upon prior written notice to Borrower (notice to be given unless an Event of Default exists) and at reasonable times, to examine the records, books and other papers which reflect upon Borrower's financial condition or pertain to the income, expense and management of the Property and to make copies and abstracts from such materials.

(c) Financial Reports from Guarantor.

(i) Borrower shall cause the Rothacker Guarantor to provide the following to Lender within the time periods specified (unless any of such items are waived or any of such time periods are extended by Lender): (x) an annual personal balance sheet to be delivered within ninety (90) days after the end of each annual period during each calendar year or such party's fiscal year, as applicable; (y) copies of state and Federal income tax returns for each Fiscal Year of the Rothacker Guarantor to be delivered as soon as available, but in any event on or before the later of: (1) July 15th of each Fiscal Year, or (2) within ninety (90) days of any extended period of time for the filing of the same, provided a copy of such extension is furnished to Lender on or before July 15th; and (z) such additional financial information supporting the Rothacker Guarantor's net worth and liquidity in accordance with Section 5.13 hereof; a detailed REO schedule, and (C) a list of contingent liabilities as of the date of the annual personal balance sheet. Each financial report provided by the Rothacker Guarantor shall be certified by such Rothacker Guarantor to be complete and accurate in all material respects.

(ii) Borrower shall also cause the SRT Guarantor to provide the following to Lender within the time periods specified (unless any of such items are waived or any of such time periods are extended by Lender): (i) an annual "10-K" financial statement to be delivered within ninety (90) days after the end of each annual period during each calendar year or such party's fiscal year, as applicable; provided, however, that Lender may also request delivery of a "10-Q" on a semi-annual basis, and provided, further, that if there have been no material adverse changes in the financial condition of the SRT Guarantor, the SRT Guarantor may furnish on a semi-annual basis a "certificate of no change" instead of the foregoing 10-K financial statement required to be so furnished by the SRT Guarantor; (y) intentionally deleted; and (z) such additional financial information as Lender may reasonably require from time to time (but no more frequently than annually unless an Event of Default exists). Each financial report provided by the SRT Guarantor shall be certified by such SRT Guarantor to be complete and accurate in all material respects.

(d) Failure to Provide Financial Reports. Borrower's failure to comply with any or all of the terms of this Section 5.5 relating to the furnishing of financial and other reporting information shall (a) not be deemed an Event of Default or incur an administrative charge unless and until Lender provides Borrower with written notice of the same and Borrower fails to so comply for a period of ten (10) Business Days thereafter; and (b) result, at the sole option of Lender, in an administrative charge of Five Hundred and 00/100 Dollars (\$500.00) being paid by Borrower for each reporting period for which Borrower has failed to comply with any or all of the material terms of this Section 5.5 relating to the furnishing of material financial and other reporting information.

## **Section 5.6. Leases.**

(a) Borrower shall (i) observe and perform all of the material obligations imposed upon the lessor under the Leases; (ii) promptly send copies to Lender of all notices of default that Borrower shall send or receive under any Material Lease; (iii) promptly notify Lender of any tenant under a Material Lease at the Property which has vacated, or has given Borrower written notice of its intention to vacate, the premises (or any portion thereof) leased or sub-leased to such tenant pursuant to the applicable Material Lease; and (iv) enforce the terms, covenants and conditions in

the Leases to be observed by tenants in accordance with commercially reasonable practices for properties similar to the Property.

(b) Borrower may not enter into any Material Lease after the date hereof without the prior written consent of Lender, not to be unreasonably withheld, conditioned or delayed.

(c) Borrower may enter into an Approved Lease after the date hereof without the prior written consent of Lender provided such Approved Lease satisfies the Leasing Guidelines and Lender has not given notices to Borrower that an Event of Default exists, provided, however, that if a Lease does not satisfy the Leasing Guidelines, Lender shall nonetheless consider approval of such Lease, in its sole and absolute discretion, based upon an analysis by Lender of the Net Effective Rent for such Lease.

(d) Borrower shall not (i) make any assignment or pledge of any Lease or Rents to anyone other than Lender until the Indebtedness is paid in full, (ii) collect any Rents under the Leases more than one (1) month in advance (except that Borrower may collect in advance such security deposits as are permitted pursuant to applicable Legal Requirements and are commercially reasonable in the prevailing market); (iii) amend in any material respect or terminate any Material Lease (provided, however, that Borrower may terminate any such Lease if the lessee thereunder is in material monetary default of such Lease); or (iv) grant any modification of any Material Lease which in the aggregate might have a Material Adverse Effect.

(e) Intentionally Deleted.

**Section 5.7. Place of Business; State of Organization; Operations.** Borrower shall not change its (a) chief executive office or its principal place of business or place where its books and records are kept, or (b) the jurisdiction in which it is organized, in each case without giving Lender at least thirty (30) days' prior written notice thereof and promptly providing Lender such information as Lender may reasonably request in connection therewith. Borrower will continue to engage in the businesses presently conducted by it as and to the extent the same are necessary for the ownership, maintenance, management and operation of the Property. Borrower will remain in good standing under the laws of the State to the extent required for the ownership, maintenance, management and operation of the Property. Borrower shall also not enter into any line of business, or make any material change in the scope or nature of its business objectives, purposes or operations or undertake or participate in activities other than the continuance of its present business.

**Section 5.8. Zoning; Joint Assessment.** Borrower shall not materially change the Property's use or initiate, join in or consent to any (a) change in any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the Property's uses or any part thereof (including filing a declaration of condominium, map or any other document having the effect of subjecting the Property to the condominium or cooperative form of ownership), except those necessary in connection with the uses permitted pursuant to this Agreement and Leases permitted hereunder, or (b) joint assessment of the Property with any other real or personal property.

**Section 5.9. Equity Requirements.** Borrower has equity in the Property as represented by the Equity Requirements, and evidence of the Equity Requirements, as aforesaid, has been furnished by Borrower to the satisfaction of Lender prior to the Closing Date.

**Section 5.10. Notice of Default.** Borrower shall promptly advise Lender of any material adverse change in Borrower's condition, financial or otherwise, or of the occurrence of any Default or Event of Default.

**Section 5.11. Litigation.** Borrower shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened against Borrower which would, if determined adversely to Borrower, materially adversely affect Borrower's condition (financial or otherwise) or business or the Property.

**Section 5.12. Performance by Borrower.** Borrower shall in a timely manner observe, perform and fulfill each and every covenant, term and provision of each Loan Document executed and delivered by, or applicable to, Borrower, and shall not enter into or otherwise suffer or permit any amendment, waiver, supplement, termination or other modification of any Loan Document executed and delivered by, or applicable to, Borrower without the prior written consent of Lender. Borrower shall not make any distributions to any direct or indirect members of Borrower prior to the occurrence of Stabilization Threshold (except for the payment of Two Thousand and 00/100 Dollars (\$2,000.00) per month to Cadence Capital Investments LLC for accounting and administrative purposes).

**Section 5.13. Guarantor Financial Covenants.** The Rothacker Guarantor shall, at all times while the Indebtedness remains unsatisfied, maintain a net worth of not less \$10,000,000.00 and a liquidity of not less than \$1,400,000.00, and the SRT Guarantor shall also, at all times while the Indebtedness remains unsatisfied, maintain a net worth of not less \$10,000,000.00 and a liquidity of not less than \$1,400,000.00 (the foregoing, as it relates to each respective Guarantor, the "Net Worth and Liquidity Requirements"). For the purposes hereof, each of the Guarantor's net worth shall exclude any equity attributable to the Property.

**Section 5.14. Performance Threshold.**

(a) Prior to the occurrence of the Performance Threshold, there shall be a cap, in the amount of One Million and 00/100 Dollars (\$1,000,000.00), on the total amount of the Reserve Funds to be made available to Borrower pursuant to and in accordance with Section 3.4 hereof.

(b) In the event that the Performance Threshold is not achieved on or before the Performance Deadline, then the following additional protocols shall be implemented: (i) no Capital Expenditures Reserve Funds shall be made available to Borrower unless and until Borrower has first paid for additional Capital Expenditures, in an aggregate amount of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) (the "Additional Equity Funds"), from equity funds contributed by the members of Borrower; (ii) the Additional Equity Funds shall have been so contributed and used to pay for additional Capital Expenditures, as aforesaid, within nine (9) months of the Performance Deadline; and (iii) once the Additional Equity Funds have been contributed and used to pay for additional Capital Expenditures, as aforesaid, and satisfactory evidence thereof has

been furnished to Lender, the Capital Expenditures Reserves Funds shall then once again continue to be made available to Borrower pursuant to and in accordance with Section 3.4 hereof, provided, however, that in such event, a portion of the Capital Expenditures Reserve Funds, in an amount equal to the Additional Equity Funds (the “Holdback Reserve Funds”), shall not be made available to Borrower unless and until either: (x) the Performance Threshold is achieved, or (y) replacement tenants are procured for both the LIT Lease and the Currying Flavors Lease at rents at or above the original rents specified in the LIT Lease and the Currying Flavors Lease and on otherwise similar economic terms, and provided further, that in such event, Lender shall then make the Holdback Reserve Funds available to Borrower, pursuant to and in accordance with Section 3.4 hereof, as a refund to Borrower of the Additional Equity Funds.

**Section 5.15. Bringdown of Certain Representations and Warranties.** Borrower shall not create or suffer to exist any Lien against the Property other than Permitted Liens. Borrower shall cause the representations and warranties contained in Sections 4.7 (ERISA), 4.8 (Not Foreign Person), 4.9 (Investment Company Act, Public Company Act), 4.10 (Title to Property; Liens), 4.12 (Utilities and Public Access), 4.13 (Separate Lots), 4.17 (Title Insurance), 4.18 (Leases and Rents), 4.19 (Compliance with Anti-Terrorism) and 4.25 (Taxes) to be continuously accurate, true and correct at all times until payment in full of the Indebtedness, as if made with respect to current facts presently and continuously throughout the term of the Loan.

## ARTICLE 6 TRANSFERS AND CHANGE OF BUSINESS

Borrower covenants and agrees that, from the Closing Date and until payment in full of the Indebtedness:

### **Section 6.1. Transfers.**

(a) Borrower will not allow any Transfer to occur without the Lender’s prior express written approval (which approval may be given or withheld in the Lender’s sole and absolute discretion). Notwithstanding anything to the contrary contained herein, the following Transfers (each a “Permitted Transfer”) shall be permitted without the prior written consent of Lender:

(i) Any Transfer of a direct or indirect legal or beneficial ownership interest in Borrower that occurs by devise or bequest or by operation of law upon the death or legal incapacity of a natural person that was the holder of such interest to a member of the immediate family of such interest holder or a trust or family conservatorship established for estate-planning purposes for the benefit of such immediate family member, except in connection with the death or legal incapacity of the Rothacker Guarantor, in which case it shall be a Permitted Transfer if: (x) the Rothacker Guarantor is replaced by either the SRT Guarantor, or another Person reasonably acceptable to the Lender, as a replacement guarantor; and (y) the day-to-day operations of Borrower and the Property are managed by either the SRT Guarantor, or another Manager reasonably acceptable to Lender, in each case prior to it becoming an Event of Default under Section 8.1(j) below;

(ii) Transfers between current direct and indirect owners of Borrower of their direct or indirect legal or beneficial ownership interests in Borrower, including, without

limitation, any Transfers that result in a change in the manager of Borrower to the SRT Guarantor, provided, that, in such event, the day-to-day operations of Borrower and the Property are managed by either the Rothacker Guarantor, the SRT Guarantor or another manager reasonably acceptable to Lender;

(iii) Any Transfers of the stock of the SRT Guarantor, provided that, in such event, the day-to-day operations of Borrower and the Property continue to be managed by the Rothacker Guarantor (provided, however, that if the Rothacker Guarantor has been previously replaced as a result of, or in connection with, a prior Permitted Transfer, the day-to-day operations of Borrower and the Property shall in such event continue to be managed by the SRT Guarantor or a manager reasonably acceptable to Lender);

(iv) Any Transfers of direct or indirect interests in the limited partnership interests in Strategic Realty Operating Partnership, L.P., provided that, in such event, the day-to-day operations of Borrower and the Property continue to be managed by the Rothacker Guarantor (provided, however, that if the Rothacker Guarantor has been previously replaced as a result of, or in connection with, a prior Permitted Transfer, the day-to-day operations of Borrower and the Property shall in such event continue to be managed by the SRT Guarantor or a manager reasonably acceptable to Lender);

(v) Any Transfers to Affiliates of Borrower, provided that, in such event, (x) the Equity Requirements have not changed, and (y) the day-to-day operations of Borrower and the Property continue to be managed by the Rothacker Guarantor (provided, however, that if the Rothacker Guarantor has been previously replaced as a result of, or in connection with, a prior Permitted Transfer, the day-to-day operations of Borrower and the Property shall in such event continue to be managed by the SRT Guarantor or a manager reasonably acceptable to Lender);

(vi) Any Transfers of up to forty-nine percent (49%) of the membership interests in Borrower to any Person that does not currently directly or indirectly have an interest in Borrower, provided that (x) the Rothacker Guarantor continues to own not less than a fifty percent (50%) direct or indirect profits interest in Borrower and retains management Control of the day to day operations of Borrower and the Property (provided, however, that if the Rothacker Guarantor has been previously replaced as a result of, or in connection with, a prior Permitted Transfer, the day-to-day operations of Borrower and the Property shall in such event continue to be managed by the SRT Guarantor or a manager reasonably acceptable to Lender); or (y) the SRT Guarantor continues to own not less than a 51% direct or indirect ownership interest in the Borrower, and provided further, that for any Transfer of over twenty percent (20%) of the direct or indirect interests in Borrower under this subsection, Lender must be given notice and given the right to obtain KYC searches against any person or entity which, as a result of a Transfer under this subsection, will own at least twenty percent (20%) direct or indirect interest in Borrower, that do not reveal any negative information about such person or entity;

(vii) Leases entered into in accordance with this Agreement; and

(viii) Permitted Encumbrances;

(b) With respect to each Permitted Transfer:

(i) Borrower shall (A) give Lender notice of such Transfer, together with copies of all instruments effecting such Transfer prior to such Transfer, if possible, relative to a Transfer by the Rothacker Guarantor (i.e., it is not possible to provide prior notice of the death or legal incapacity of the Rothacker Guarantor prior thereto); and (B) for all other applicable Transfers, other than those under Section 6.1(a)(iii) hereof and Section 6.1(a)(iv) hereof, give Lender notice of such Transfers, together with copies of all instruments effecting such Transfer, not less than twenty (20) Business Days after the date of such the Transfer;

(ii) With respect to any Transfer under Section 6.1(a)(iii) hereof, the SRT Guarantor shall have complied with all material and necessary “know your customer” or other similar checks under all Legal Requirements applicable to the SRT Guarantor; and

(iii) With respect to all other applicable Transfers, Borrower and any transferee shall also reasonably cooperate and comply (at Borrower’s or such transferee’s expense) with all material and necessary “know your customer” or other similar checks under all Legal Requirements applicable to Lender.

**Section 6.2. Other Indebtedness.** Borrower shall not incur, create, assume, allow to exist, become or be liable in any manner with respect to any other indebtedness or monetary obligations, except for the Indebtedness and Permitted Indebtedness.

**Section 6.3. Single-Purpose Entity; Change In Business.** Borrower shall not cease to be a Single-Purpose Entity. Borrower shall also not modify, amend, restate or replace its organizational documents in any material manner without the prior written consent of Lender, which consent shall not be unreasonably withheld. Until the Indebtedness is repaid in full, Borrower shall not amend its organizational documents in any material respect, including with respect to the matters set forth in this Section 6.3, without Lender’s prior written consent, such consent not to be unreasonably withheld.

## ARTICLE 7 INSURANCE, CASUALTY, CONDEMNATION AND RESTORATION

**Section 7.1. Types of Insurance.** At all times during the term of the Loan, Borrower shall maintain, at its sole cost and expense, for the mutual benefit of Borrower and Lender, the following policies of insurance:

(a) Insurance against Casualty to the Property under a policy or policies covering such risks as are presently included in “special form” (also known as “all risk”) coverage, including such risks as are ordinarily insured against by similar businesses, but in any event including fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke, vandalism, malicious mischief and acts of terrorism, both foreign and domestic. Unless otherwise agreed in writing by Lender, such insurance shall be for the full insurable value of the Property, with a deductible amount, no greater than Twenty-Five Thousand and 00/100 Dollars (\$25,000.00) per occurrence. No policy of insurance shall be written such that the proceeds thereof

will produce less than the minimum coverage required by this subsection by reason of co-insurance provisions or otherwise (i.e., all such policies shall have either no coinsurance or, if coinsurance, then such policy shall have an "Agreed Amount" endorsement acceptable to Lender). The term "full insurable value" as used herein shall mean one hundred percent (100%) of the actual replacement cost of the Property (including a "Replacement Cost" endorsement, excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items) without any deduction for physical depreciation. The foregoing insurance is, as of the Closing Date, provided under a "Master Policy," provided, however, that (x) once any construction commences at the Property, such coverage will be provided through the "Builder's Risk Policy," with the Property being deleted from the aforementioned "Master Policy;" and (y) upon completion of any such construction, the Property shall be added back to the coverage of the "Master Policy."

(b) Public liability insurance, to be written on an occurrence basis, including (i) "Commercial General Liability Insurance", with no deductible or self-insured retention greater than Five Thousand and 00/100 Dollars (\$5,000) per occurrence; (ii) "Owned", "Hired" and "Non Owned Auto Liability" if applicable; and (iii) umbrella liability coverage for personal injury, bodily injury, death, accident and property damage, such insurance providing in combination no less than Five Million and 00/100 Dollars (\$5,000,000.00) per occurrence, unless otherwise approved in writing by Lender. Coverage shall include acts of Terrorism, both Foreign and Domestic. The policies described in this subsection shall also include coverage for elevators, escalators, independent contractors, "Contractual Liability" (covering, to the maximum extent permitted by law, Borrower's obligations to indemnify Lender as required under this Agreement and the other Loan Documents), "Products" and "Completed Operations Liability" coverage. Liquor Liability, Automotive Liability and Garage Keepers Liability, or any other liability coverage deemed appropriate given the Property type and exposure, may be required at the discretion of the Lender.

(c) Workers' compensation insurance for all employees of Borrower in such amount as is required by law and including employer's liability insurance, if required by Lender.

(d) During any period of any Restoration or any other construction upon the Property, Borrower shall maintain, or cause others to maintain, builder's risk insurance on a completed value basis (non-reporting form) of the type customarily carried in the case of similar construction for one hundred percent (100%) of the full, completed replacement cost of work in place and materials stored at or upon the Property, and such insurance shall cover against such risks (including the risks set forth in Section 7.1(a) hereof, and extended coverage and collapse of the Improvements to agreed limits) as Lender may request, in form and substance acceptable to Lender, with a deductible amount no greater than Twenty-Five Thousand and 00/100 Dollars (\$25,000.00), and with such additional coverages to include, without limitation: (i) soft costs, including delayed opening coverage, (ii) coverage insuring all materials (installed and uninstalled, whether stored on or off-site); (iii) coverage naming Borrower as a named insured if the policy is provided by a general contractor; and (iv) professional engineers and architects liability (including errors and omissions) coverage at minimum limits of One Million and 00/100 Dollars (\$1,000,000.00) per occurrence and of Two Million and 00/100 Dollars (\$2,000,000.00) in the aggregate.

(e) If at any time any portion of any structure on the Property is insurable against Casualty by flood and is located in a Special Flood Hazard Area under the Flood Disaster Protection Act of 1973, as amended, a flood insurance policy in form and amount, with deductibles acceptable to Lender, but in no event less than the amount sufficient to meet applicable Legal Requirements, as such Legal Requirements may from time to time be in effect.

(f) Rental loss and/or business interruption insurance (i) with Lender being named as “Lender Loss Payee”, (ii) in an amount equal to one hundred percent (100%) of the projected Rents from such Property during the period of restoration; and (iii) containing an extended period of indemnity endorsement which provides that after the physical loss to the Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of six (6) months from the date that such Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. Coverage shall include acts of Terrorism, both Foreign and Domestic. Lender shall be named Lenders Loss Payee on a Standard Mortgagee Endorsement. During times when rents are not being collected, Borrower shall maintain Business Interruption coverage in an amount equal to eighteen (18) months continuing expenses with at least a twelve (12) month period of indemnity and a six (6) month extended period of indemnity.

(g) During any periods of vacancy at the Property, policies shall permit vacancy as long as necessary, and policies shall provide full coverage and protection without restriction or limitation due to vacant premises.

(h) Comprehensive boiler and machinery insurance is required if the property contains centralized equipment, steam boilers or other pressure-fired vessels are in operation at the Property. Minimum liability amount per accident must equal the replacement (insurable) value of Improvements housing such equipment, boiler or pressure-fired machinery or such lesser amount as approved by Lender in their discretion. The deductible with respect to such insurance shall not exceed Ten Thousand and 00/100 Dollars (\$10,000.00) per claim.

(i) In the event the Land or the Improvements constitute a legal non-conforming use under applicable building, zoning, or land use laws or ordinances, coverage shall include Ordinance or Law coverage for loss of value of the undamaged portion of the Improvements up to the full limits of the policy, demolition and increased cost of construction (insurance for demolition and increased cost of construction may contain a sub limit satisfactory to Lender but no less than fifteen per cent (15%) of total insurable value).

(j) Such other and further insurance and such higher limits as may be required from time to time by Lender in order to comply with regular requirements and practices of Lender in similar transactions including, if required by Lender, environmental liability insurance and earthquake insurance if the “Probable Maximum Loss” is equal to or greater than twenty percent (20%) and in such event, such earthquake insurance shall be (A) with minimum coverage equivalent to the greater of 1.0x SUL (scenario upper loss) and 1.5x SEL (scenario expected loss) multiplied by the full replacement cost of the Improvements plus business income, (B) having a deductible approved by Lender (but in any event not in excess of 5% of the total insurable value of the Property),

and (C) if the Property is legally nonconforming under applicable zoning ordinances and codes, containing ordinance of law coverage in amounts as required by Lender.

(k) All insurance provided for in this Section 7.1 shall be obtained under valid and enforceable policies, and shall be subject to the approval of Lender as to insurance companies, amounts, deductibles, loss payees and insureds, and all such policies provided for or contemplated by this Section 7.1, except for the insurance policy referenced in Section 7.1(c) hereof, shall name Borrower as the insured and Lender and its successors and/or assigns as their interests may appear as mortgagee and Lender's Loss Payee (in the case of property insurance and business interruption/loss of rents coverage) and the additional insured (in the case of liability insurance), and in the case of any and all property damage, boiler and machinery, flood and earthquake insurance, shall also contain a so-called New York standard non-contributing mortgagee clause in favor of Lender providing that the loss thereunder shall be payable to Lender as Mortgagee/Lender's Loss Payee.

(l) Unless Lender is obligated to pay the Premiums from the Tax And Insurance Account pursuant to the terms of Section 3.3(d) hereof, Borrower shall promptly pay all Premiums when due on such insurance and, in all events, not less than thirty (30) days prior to the expiration dates of each such policy, Borrower will deliver to Lender acceptable evidence of insurance, such as a renewal policy or policies marked "premium paid" or other evidence satisfactory to Lender reflecting that such Insurance Premiums have been paid current and that all required insurance is current and in force. Borrower will immediately give Notice to Lender of any cancellation of, or modification or reduction in, any insurance policy. Lender shall not, because of accepting, rejecting, approving or obtaining insurance, incur any liability for (A) the existence, nonexistence, form or legal sufficiency thereof, (B) the solvency of any insurer, or (C) the payment of losses.

(m) Borrower may provide any required insurance under a blanket policy or policies covering the Property and Improvements and other property and assets not part of the Property, provided that Lender is provided a full schedule of locations and values for all properties on such blanket policy and such blanket policy otherwise complies with the requirements set forth above. Any allocated coverage shall equal or exceed the coverage amounts required and must properly identify and fully protect the Property as if a separate policy were issued for one hundred per cent (100%) of the replacement cost, with sub limits as permitted herein, at the time of loss.

(n) Borrower shall not carry separate insurance, concurrent in kind or form or contributing in the event of loss, with any of the insurance policies required by this Section 7.1. Borrower may, however, carry insurance for the Improvements, in addition to such policies, but only if such additional insurance: (a) does not violate or entitle the carrier to assert any defense or disclaim any primary coverage under any of such policies; (b) mutually benefits Borrower and Lender, as their interests may appear; and (c) otherwise complies with the terms of this Agreement.

**Section 7.2. Insurer Ratings.** Unless otherwise approved by Lender in writing in advance of placement, Borrower will maintain the insurance coverage described in Section 7.1 with companies acceptable to Lender and with a claims paying ability rating of not less than "A-" by S&P and a financial and performance rating of "A-VIII" or its equivalent by A.M. Best. All insurers providing insurance required by this Agreement shall be authorized to issue insurance in the State.

### **Section 7.3. General Insurance Requirements.**

(a) Borrower agrees that all insurance policies shall:

(i) be in such form and with such endorsements and in such amounts as required by this Agreement and as are satisfactory to Lender;

(ii) name Lender as an additional insured/loss payee/mortgagee and provide that all Insurance Proceeds be payable to Lender;

(iii) contain, where applicable, a "Non Contributory Standard Lender Clause" and a Lender's Loss Payable Endorsement or their equivalents naming Lender as the person to whom all payments shall be paid and a provision that payment of Insurance Proceeds in excess of the Restoration Proceeds Threshold shall be made by a check payable only to Lender;

(iv) contain a waiver of subrogation endorsement as to Lender and its successors and assigns, providing that no policy shall be impaired or invalidated by virtue of any act, failure to act, negligence of, or violation of declarations, warranties or conditions contained in such policy by Borrower, Lender or any other named insured, additional insured or loss payee (which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment);

(v) contain an endorsement indicating that neither Lender nor Borrower shall be or be deemed to be a co-insurer with respect to any risk insured by such policies and shall provide for an aggregate deductible per loss for all policies not in excess of \$25,000.00 for Property policies and no deductible or retention for General Liability policies (unless otherwise permitted under this Article VII), unless otherwise approved by Lender in advance and in writing;

(vi) contain a provision that any such Property policies shall not be canceled without at least thirty (30) days' prior written notice to Lender in each instance (at least ten (10) days' prior written notice to Lender due to nonpayment of premium). Such notice shall also be provided for Liability policies (except, when not available, Borrower shall provide required notice to Lender); and

(vii) with respect to commercial general liability and Excess/Umbrella Liability, provide for claims to be made on an occurrence basis.

(b) In the event of foreclosure of the lien of the Security Instrument or other transfer of title or assignment of the Property in extinguishment, in whole or in part, of the Indebtedness, all right, title and interest of Borrower in and to all policies of casualty insurance covering all or any part of the Property shall inure to the benefit of and pass to the successors in interest to Lender or the purchaser or grantee of the Property or any part thereof.

**Section 7.4. Certificates of Insurance and Delivery of Policies.** Upon Lender's request, certified copies of all insurance policies required pursuant to this Article 7 shall be promptly delivered to Lender. Certificates of insurance with respect to all renewal and replacement policies shall be delivered to Lender not less than ten (10) days prior to the expiration date of any of the

insurance policies required to be maintained hereunder which certificates shall bear notations evidencing payment of applicable premiums and copies of such insurance policies shall be delivered to Lender promptly after Borrower's receipt thereof. If Borrower fails to maintain and deliver to Lender the certificates of insurance required by this Agreement, Lender may, at its option, after notice to Borrower, procure such insurance, and Borrower shall reimburse Lender for the amount of all premiums paid by Lender thereon promptly, after demand by Lender, with interest thereon at the Default Rate from the date paid by Lender to the date of repayment, and such sum shall be a part of the Indebtedness secured by the Loan Documents. Lender shall not by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or the carriers' or Borrower's payment or defense of lawsuits, and Borrower hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto. Borrower represents that no material claims have been made under any of such insurance policies, and no party, including Borrower, has done, by act or omission, anything which would impair the coverage of any of such insurance policies.

### **Section 7.5. Restoration Proceeds.**

(a) Any and all awards, compensation, reimbursement, damages, proceeds, settlements, and other payments or relief paid or to be paid, together with all rights and causes of action relating to or arising from, (i) any insurance policy maintained by or on behalf of Borrower following any damage, destruction, casualty or loss to all or any portion of the Property (a "Casualty", and such proceeds, "Insurance Proceeds") or (ii) any temporary or permanent taking or voluntary conveyance of all or part of the Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding by any Governmental Authority whether or not the same shall have actually been commenced (a "Taking", and such proceeds, "Condemnation Proceeds", and together with Insurance Proceeds, collectively, "Restoration Proceeds") are hereby assigned to Lender as additional collateral security hereunder subject to the Lien of the Security Instrument, to be applied in accordance with this Article 7. Lender shall be entitled to receive and collect all Restoration Proceeds, and Borrower shall instruct and cause the issuer of each policy of insurance described herein and any applicable Governmental Authority to deliver to Lender all Restoration Proceeds. Borrower shall execute such further assignments of the Restoration Proceeds as Lender may from time to time reasonably require. Notwithstanding the foregoing, if the Restoration Proceeds, less the amount of Lender's actual out-of-pocket costs and expenses (including reasonable attorneys' fees and costs) incurred in collecting the same (the "Net Restoration Proceeds"), are One Hundred Thousand and 00/100 Dollars (\$100,000.00) or less (the "Restoration Proceeds Threshold"), provided no Event of Default then exists, Lender shall make such Net Restoration Proceeds available to Borrower. All Insurance Proceeds received by Borrower or Lender in respect of business interruption coverage, and all Condemnation Proceeds received with respect to a temporary Taking available to Borrower, shall be deposited in a segregated escrow account with Lender or its servicer, as applicable, and Lender shall estimate the number of months required for Borrower to restore the damage caused such Casualty or replace cash flow interrupted by such temporary Taking, as applicable, and shall divide the aggregate proceeds by such number of months, and, provided no Event of Default then exists, shall disburse a monthly installment thereof to Borrower each such month. Subject to Lender's

rights under Section 7.6, provided no Event of Default has occurred and is continuing and the Restoration has been completed in accordance with this Agreement, any Net Restoration Proceeds available to Borrower for Restoration, to the extent not used by Borrower in connection with, or to the extent they exceed the cost of such Restoration and any costs incurred by Lender, shall be paid to Borrower.

(b) Lender shall be entitled at its option to participate in any compromise, adjustment or settlement in connection with (i) any insurance policy claims relating to any Casualty, and (ii) any Taking in an amount in controversy, in either case, in excess of the Restoration Proceeds Threshold, and Borrower shall within ten (10) Business Days after request therefor reimburse Lender for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by Lender in connection with such participation. Borrower shall not make any compromise, adjustment or settlement in connection with any such claim in excess of the Restoration Proceeds Threshold or if an Event of Default then exists without the prior written approval of Lender. Borrower shall not make any compromise, adjustment or settlement in connection with any claim unless same is commercially reasonable.

(c) If and to the extent Restoration Proceeds are not required to be made available to Borrower to be used for the Restoration of the Improvements, Equipment and Inventory affected by the Casualty or Taking, as applicable, pursuant to this Agreement, Lender shall be entitled, without Borrower's consent, to apply such Restoration Proceeds or the balance thereof, at Lender's option either (i) to the full or partial payment or prepayment of the Indebtedness in accordance with the Note; or (ii) to the Restoration of all or any part of such Improvements, Equipment and Inventory affected by the Casualty or Taking, as applicable.

**Section 7.6. Restoration.** Borrower shall apply all Insurance Proceeds first, to complete restoration or repair of the Improvements and Equipment before applying, disbursing or distributing any such Insurance Proceeds for any other purpose. Borrower shall restore and repair the Improvements and Equipment or any part thereof now or hereafter damaged or destroyed by any Casualty or affected by any Taking; provided, however, that if the Casualty is not insured against or insurable, Borrower shall so restore and repair even though no Insurance Proceeds are received, or even if the available Insurance Proceeds are less than the cost of restoration and repair. Notwithstanding anything to the contrary set forth in Section 7.5, Lender agrees that Lender shall make the Net Restoration Proceeds (other than business interruption insurance proceeds, which shall be held and disbursed as provided in Section 7.5) available to Borrower for Borrower's restoration and repair of the Improvements, Equipment and Inventory affected by the Casualty or Taking (a "Restoration"), as applicable, on the following terms and subject to Borrower's satisfaction of the following conditions; provided, that Lender shall have the right to waive any of the following conditions in its discretion:

(a) At the time of such Casualty or Taking, as applicable, and at all times thereafter there shall exist no Event of Default which remains uncured;

(b) The Improvements, Equipment and Inventory affected by the Casualty or Taking, as applicable, shall be capable of being restored (including replacements) to substantially the same condition, utility, quality and character, as existed immediately prior to such Casualty or

Taking, as applicable, in all material respects with a fair market value and projected cash flow of the Property equal to or greater than prior to such Casualty or Taking, as applicable;

(c) Borrower shall demonstrate to Lender's reasonable satisfaction Borrower's ability to pay the Indebtedness coming due during such repair or restoration period (after taking into account proceeds from business interruption insurance carried by Borrower);

(d) (i) in the event of a Casualty, the Casualty resulted in an actual or constructive loss of less than fifty percent (50%) of the fair market value of the Property, or (ii) in the event of a Taking, the Taking resulted in an actual or constructive loss of less than fifteen percent (15%) of the fair market value of the Property, less than fifteen percent (15%) of the land constituting the Property is taken, such land is located along the perimeter or periphery of the Property, and no portion of the Improvements on the Property is the subject of such Taking;

(e) Borrower shall have provided to Lender all of the following, and collaterally assigned the same to Lender pursuant to assignment documents acceptable to Lender: (i) an architect's contract with an architect reasonably acceptable to Lender and complete plans and specifications for the Restoration of the Improvements, Equipment and Inventory lost or damaged to the condition, utility and value required by Section 7.6(b); (ii) fixed-price or guaranteed maximum cost construction contracts with contractors reasonably acceptable to Lender for completion of the Restoration work in accordance with the aforementioned plans and specifications; (iii) such additional funds (if any) as are necessary from time to time, in Lender's reasonable opinion, to complete the Restoration (which funds shall be held by Lender as additional collateral securing the Indebtedness and shall be disbursed, if at all, pursuant to this Article 7); and (iv) copies of all Permits and licenses necessary to complete the Restoration in accordance with the plans and specifications and all Legal Requirements;

(f) Borrower shall use commercially reasonable efforts to commence such work within one hundred twenty (120) days after such Casualty or Taking, as applicable, and shall diligently pursue such work to completion;

(g) Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (A) the date six (6) months prior to the Maturity Date, (B) such time as may be required under applicable Legal Requirements in order to repair and restore the Property to the condition it was in immediately prior to such Casualty or such Taking, as applicable, or (C) the expiration of the business interruption insurance coverage referred to in Section 7.1(d); and

(h) the Property and the use thereof after the Restoration will be in compliance with all applicable Legal Requirements.

### **Section 7.7. Disbursement.**

(a) Each disbursement by Lender of such Restoration Proceeds shall be funded subject to conditions and in accordance with disbursement procedures which a commercial construction lender would typically establish in the exercise of sound banking practices, including

requiring lien waivers and any other documents, instruments or items which may be reasonably required by Lender.

(b) In no event shall Lender be obligated to make disbursements of Restoration 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 determined by Lender, less, as to each contractor, subcontractor or materialman engaged in a Restoration, an amount equal to the greater of (i) ten percent (10%) of the costs actually incurred for work in place as part of such Restoration, as reasonably determined by Lender, and (ii) the amount actually withheld by Borrower (the “Casualty Retainage”). The Casualty Retainage shall not be released until Lender reasonably determines that the Restoration has been completed in accordance with the provisions of this Agreement and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate 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.

**Section 7.8. Qualified Amount.** Notwithstanding anything herein to the contrary, in the event of a taking of any portion of a Property by a state or any political subdivision or authority thereof, whether by legal proceeding or by agreement, or Casualty or Taking, if the ratio of the unpaid principal balance of the Loan to the value of the remaining Properties (as determined by the Lender in its sole discretion using any commercially reasonable method permitted to a REMIC Trust; and which shall exclude the value of any personal property or going concern value, if any) exceeds or would exceed 125% immediately after giving effect to the condemnation/casualty, then an amount that is a “qualified amount” as that term is defined in IRS Revenue Procedure 2010-30, as the same may be amended, replaced, supplemented or modified from time to time, must be applied to the principal amount of the Loan (rather than to any other portion of the Loan), unless Lender receives an opinion of counsel that, if this clause is applicable but not followed or is no longer applicable at the time of such taking, condemnation, eminent domain or similar proceeding, Casualty or Taking, the Loan (i) will not be subject to a “significant modification” within the meaning of Treasury Regulations Section 1.860G-2(b)(2) and (ii) will not fail to be a “qualified mortgage” within the meaning of Section 860G(a)(3)(A) of the Code.

## ARTICLE 8 DEFAULTS

**Section 8.1. Event of Default.** The occurrence of one or more of the following events shall be an “Event of Default” hereunder:

(a) if Borrower fails to make any scheduled payment of principal, interest, or amounts due under Article 3 on any Payment Date, or fails to pay any other amount due and payable pursuant to the Loan Documents within three (3) days of the due date;

(b) if Borrower fails to pay the outstanding Indebtedness on the Maturity Date;

(c) the occurrence of the events identified elsewhere in this Agreement or the other Loan Documents as constituting an “Event of Default” hereunder or thereunder;

(d) the occurrence of a Transfer, other than a Permitted Transfer;

(e) the occurrence of a material adverse change in the condition, financial or otherwise, of the Borrower, or of all or any portion of the Loan which has a Material Adverse Effect and/or the Guarantor's failure to comply with the Net Worth and Liquidity Requirements;

(f) the occurrence of any material litigation or administrative investigation or proceeding (pending or threatened) against the Borrower or Guarantor, whether or not covered by insurance, which would, if determined adversely to Borrower or Guarantor, materially adversely affect the Property or such parties' condition (financial or otherwise);

(g) if any representation or warranty made herein or in any other Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document furnished by Borrower in connection with this Agreement or any other Loan Document shall be false in any material respect as of the date such representation or warranty was made or remade, provided, however, that Borrower shall have, with respect to unintentional misrepresentations that can be cured, a cure period of twenty (20) days after written notice from Lender within which to effectuate such a cure of the same;

(h) if Borrower or Guarantor (i) makes an assignment for the benefit of creditors, (ii) has a receiver, liquidator or trustee appointed for it (other than as a result of an action by Lender or a third party acting on behalf of Lender, a "Lender Action"), (iii) is adjudicated as 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, solicited by, or acquiesced in by it excluding Lender Actions, or (iv) has any proceeding for its insolvency, dissolution or liquidation instituted against it excluding Lender Actions (any of the foregoing in clauses (i) through (iv), an "Insolvency Action"); provided, however, that if such Insolvency Action was involuntary and not consented to by Borrower or Guarantor, as applicable, such Insolvency Action shall not be an Event of Default unless the same is not discharged, stayed or dismissed within ninety (90) days after the filing or commencement thereof;

(i) the failure of Borrower to maintain the insurance required pursuant to Article 7;

(j) if any guaranty given in connection with the Loan shall cease to be in full force and effect or any guarantor shall deny or disaffirm its obligations thereunder, or the death or legal incapacity of the Rothacker Guarantor (provided, however, the death or legal incapacity of the Rothacker Guarantor shall not constitute an Event of Default or change in Control of Borrower provided that Lender shall have received guarantees, substantially similar to the guarantees provided on the Closing Date by the Rothacker Guarantor), from either the SRT Guarantor, or other replacement guarantor satisfactory to Lender in its sole discretion, within sixty (60) days following the death or legal incapacity of such Rothacker Guarantor); or;

(k) a default shall be continuing under any of the other obligations, agreements, undertakings, terms, covenants, provisions or conditions of this Agreement not otherwise referred to in this Section 8.1, or under any other Loan Document, for ten (10) days after notice to Borrower

(and Guarantor, if applicable) in the case of any default which can be cured by the payment of a sum of money, or for thirty (30) days after written notice in the case of any other default (unless otherwise provided herein or in such other Loan Document); provided, however, that if such non-monetary default under this clause (i) is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and provided further that Borrower (or Guarantor, if applicable) shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower (or Guarantor, if applicable) in the exercise of due diligence to cure such default, but in no event shall such period exceed sixty (60) days after the original notice.

**Section 8.2. Remedies.** Upon the occurrence and during the continuance of an Event of Default, all or any one or more of the rights, powers and other remedies available to Lender against Borrower under any Loan Document, or at law or in equity may be exercised by Lender at any time and from time to time (including the right to accelerate and declare the outstanding Indebtedness to be immediately due and payable), without notice or demand, whether or not all or any portion of the Indebtedness shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to all or any portion of the Property. Notwithstanding anything contained to the contrary herein, the outstanding Indebtedness shall be accelerated and immediately due and payable, without any election by Lender upon the occurrence of an Insolvency Action.

**Section 8.3. Remedies Cumulative.** The rights, powers and remedies of Lender under this Agreement shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrower pursuant to this Agreement or the other Loan Documents executed by or with respect to Borrower, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of any Event of Default shall not be construed to be a waiver of any subsequent Event of Default or to impair any remedy, right or power consequent thereon. Any and all of Lender's rights with respect to the Property shall continue unimpaired, and Borrower shall be and remain obligated in accordance with the terms hereof, notwithstanding (i) the release or substitution of Property at any time, or of any rights or interest therein or (ii) any delay, extension of time, renewal, compromise or other indulgence granted by Lender in the event of any Event of Default with respect to the Property or otherwise hereunder. Notwithstanding any other provision of this Agreement, Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument on the Property, to the extent necessary to foreclose on other parts of the Property.

**Section 8.4. Lender Appointed Attorney-In-Fact.** Borrower hereby irrevocably and unconditionally constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact, with full power of substitution, at any time after the occurrence and during the continuance of an

Event of Default to execute, acknowledge and deliver any documents, agreements or instruments and to exercise and enforce every right, power, remedy, option and privilege of Borrower under all Loan Documents, and do in the name, place and stead of Borrower, all such acts, things and deeds for and on behalf of and in the name of Borrower under any Loan Document, which Borrower could or might do or which Lender may deem necessary or desirable to more fully vest in Lender the rights and remedies provided for under the Loan Documents and to accomplish the purposes thereof. The foregoing powers of attorney are irrevocable and coupled with an interest.

**Section 8.5. Lender's Right to Perform.** If Borrower fails to perform any covenant or obligation contained herein for a period of five (5) Business Days after Borrower's receipt of notice thereof from Lender, without in any way limiting Section 8.1, Lender may, but shall have no obligation to, perform, or cause performance of, such covenant or obligation, and the expenses of Lender incurred in connection therewith shall be payable by Borrower to Lender upon demand, together with interest thereon at the Default Rate. Notwithstanding the foregoing, Lender shall have no obligation to send notice to Borrower of any such failure.

## **ARTICLE 9 ENVIRONMENTAL PROVISIONS**

**Section 9.1. Environmental Representations and Warranties.** Borrower represents, warrants and covenants, as to itself and the Property, other than as disclosed to Lender in the environmental report(s) delivered to Lender in connection with the Loan (and listed on the attached Schedule 6): (a) to Borrower's knowledge, there are no Hazardous Substances or underground storage tanks in, on, or under the Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto and (ii) which do not require Remediation; (b) to Borrower's knowledge, there are no past, present or threatened Releases of Hazardous Substances in, on, under, from or affecting the Property which have not been fully Remediated in accordance with Environmental Law; (c) to Borrower's knowledge, there is no Release or threat of any Release of Hazardous Substances in violation of Environmental Laws which has migrated or is migrating to the Property; (d) to Borrower's knowledge, there is no past or present non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Property which has not been fully Remediated in accordance with Environmental Law; (e) Borrower does not know of, and has not received, any written or oral notice or other communication from any Person (including a Governmental Authority) relating to Hazardous Substances or the Remediation thereof, of possible liability of any Person pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; and (f) Borrower has truthfully and fully provided to Lender, in writing, any and all information relating to conditions in, on, under or from the Property that is known to Borrower and that is contained in files and records of Borrower, including any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property.

**Section 9.2. Environmental Covenants.** Borrower covenants and agrees that: (a) all uses and operations on or of the Property, whether by Borrower or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no

Hazardous Substances used, present or Released in, on, under or from the Property, except those that are (i) in compliance with all Environmental Laws and with permits issued pursuant thereto; and (ii) which do not require Remediation; (c) Borrower shall, at its sole cost and expense, (i) fully and expeditiously cooperate in all activities pursuant to Section 9.3, including providing all relevant information and making knowledgeable Persons available for interviews, and (ii) effectuate Remediation of any condition (including a Release of a Hazardous Substance or violation of Environmental Laws) in, on, under or from the Property for which Remediation is legally required; and (d) Borrower shall immediately upon Borrower becoming aware notify Lender in writing of (A) any unlawful Releases or threatened Releases of Hazardous Substances in, on, under, from or migrating towards the Property in violation of Environmental Laws; (B) any non-compliance with any Environmental Laws related in any way to the Property; (C) any actual or potential Lien imposed on Borrower or the Property pursuant to any Environmental Law, whether due to any act or omission of Borrower or any other person (an “Environmental Lien”); (D) any required Remediation of environmental conditions relating to the Property; and (E) any written notice or other communication of which any Borrower becomes aware from any source whatsoever relating in any way to an actual or threatened Release of Hazardous Substances in violation of Environmental Laws or the Remediation thereof.

**Section 9.3. Environmental Cooperation and Access.** In the event any Indemnified Party has a reasonable basis for believing that an environmental condition exists on the Property in violation of Environmental Laws, upon reasonable notice from Lender, Borrower shall, at Borrower’s sole cost and expense, promptly cause an engineer or consultant reasonably satisfactory to Lender to conduct any environmental assessment or audit (the scope of which shall be determined in the sole and absolute discretion of Lender) and take any samples of soil, groundwater or other water, air, or building materials or any other invasive testing reasonably requested by Lender and promptly deliver the results of any such assessment, audit, sampling or other testing; and provided, further, that the Indemnified Parties and any other Person designated by the Indemnified Parties, may at its option, enter upon the Property at all reasonable times upon reasonable prior notice to assess any and all aspects of the environmental condition of the Property and its use.

#### **Section 9.4. Environmental Indemnity.**

(a) Borrower covenants and agrees, at its sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses actually imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (i) any past, present or threatened Release of Hazardous Substances in, on, above, under, from or affecting the Property, or any Remediation thereof; (ii) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering the Property; (iii) any misrepresentation or inaccuracy in any representation or warranty concerning Hazardous Substances; and (iv) any breach of Section 9.1 or Section 9.2 of this Agreement.

(b) Notwithstanding anything to the contrary contained in Section 9.4(a) hereof, Borrower shall have no obligations under Section 9.4(a) hereof following the repayment in full of the Indebtedness (and provided that no claims have previously been made by Indemnitee hereunder)

after all of the following conditions have been satisfied: (a) there has been no change in any Environmental Law or other Legal Requirement prior to the date on which the Indebtedness is paid in full the effect of which would be to make a lender/mortgagee liable with respect to any condition or matter for which the Indemnified Parties are entitled to be indemnified notwithstanding the fact that the Indebtedness was repaid in full; (b) Lender shall have received, at Borrower's sole cost and expense, an environmental inspection report for the Property in scope satisfactory to Lender, and prepared by an independent consulting firm/environmental engineer acceptable to Lender, dated no more than thirty (30) days prior to the date the same is delivered to Lender, showing that there exists no condition or matter with respect to the Property for which the Indemnified Parties are entitled to be indemnified; and (c) three (3) years have elapsed since the date on which the Indebtedness was repaid in full.

**Section 9.5. Duty to Defend.** Upon request by any Indemnified Party, Borrower shall defend same (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals reasonably approved by the Indemnified Parties.

## **ARTICLE 10 SPECIAL PROVISIONS**

**Section 10.1. Transfer of Loan.** Lender may, at any time, sell, transfer or assign, in whole or in part, this Agreement, the Note, and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities (the "Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement (such sales, participation, offering and/or placement, collectively, a "Securitization"). Lender may forward to each purchaser, transferee, assignee, servicer, participant or investor in such participations or Securities (collectively, the "Investor") or any Rating Agency rating such Securities, each prospective Investor, and any organization maintaining databases on the underwriting and performance of commercial mortgage loans, all documents and information which Lender now has or may hereafter acquire relating to the Loan or to Borrower, any Guarantor or the Property, whether furnished by Borrower, any Guarantor or otherwise, as Lender determines necessary or desirable, including, without limitation, financial statements relating to Borrower, Guarantor, the Property and any tenant at the Property. Borrower irrevocably waives any and all rights it may have under law or in equity to prohibit such disclosure, including but not limited to any right of privacy.

**Section 10.2. Cooperation.** Borrower and Guarantor agree to cooperate with Lender (and agree to cause their respective officers and representatives to cooperate) in connection with any transfer made or any Securities created pursuant to this Article 10, including, without limitation, the taking, or refraining from taking, of such action as may be reasonably necessary to satisfy all of the conditions of any Investor, the delivery any reasonable documents as may be reasonably requested by Lender (provided, however, that Guarantor is not obligated to provide any documents other than what has been provided to Lender with respect to Guarantor in connection with the Loan and any ongoing financial reporting requirements set forth in Section 5.3 hereof), and the execution of reasonable amendments to this Agreement, the Note and the other Loan Documents and Borrower's organizational documents as reasonably requested by Lender; provided that the

reasonable costs incurred for such cooperation shall be paid by Lender and no changes to the Loan Documents shall be required which will have a material adverse economic impact on Borrower or Guarantor. Borrower shall also furnish and Borrower and Guarantor consent to Lender furnishing to such Investors or prospective Investors or any Rating Agency any and all information concerning the Property, the Leases, the financial condition of Borrower and Guarantor (but only to the extent of the information regarding Guarantor as required hereunder) as may be requested by Lender, any Investor, any prospective Investor or any Rating Agency in connection with any sale, transfer or participations or Securities and shall indemnify the Indemnified Parties against, and hold the Indemnified Parties harmless from, any losses, claims, damages or liabilities (collectively, the “Liabilities”) to which any such Indemnified Parties may become subject insofar as the Liabilities arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Disclosure Document or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in the Disclosure Document or necessary in order to make the statements in the Disclosure Document, in light of the circumstances under which they were made, not misleading and agreeing to reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by each of them in connection with investigating or defending the Liabilities; *provided, however*, that Borrower will be liable in any such case under this Section 10.2 only to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or omission made therein in reliance upon and in conformity with information furnished to Lender by or on behalf of Borrower in connection with the preparation of the Disclosure Document or in connection with the underwriting or closing of the Loan, including, without limitation, financial statements of Borrower, operating statements and rent rolls with respect to the Property. This indemnity agreement will be in addition to any liability which Borrower may otherwise have and shall survive the termination of the Loan Documents.

**Section 10.3. Servicer.** At the option of Lender, the Loan may be serviced by a master servicer, primary servicer, special servicer and/or trustee (any such master servicer, primary servicer, special servicer, and trustee, together with its agents, nominees or designees, are collectively referred to as “Servicer”) selected by Lender and Lender may delegate all or any portion of its responsibilities under this Agreement and the other Loan Documents to Servicer pursuant to a pooling and servicing agreement, servicing agreement, special servicing agreement or other agreement providing for the servicing of one or more mortgage loans (collectively, the “Servicing Agreement”) between Lender and Servicer. Borrower shall be responsible for any reasonable set up fees or any other reasonable initial costs relating to or arising under the Servicing Agreement, but Borrower shall not be responsible for payment of the regular monthly master servicing fee or trustee fee due to Servicer under the Servicing Agreement or any fees or expenses required to be borne by, and not reimbursable to, Servicer. Notwithstanding the foregoing, Borrower shall promptly reimburse Lender on demand for (a) interest payable on advances made by Servicer with respect to delinquent debt service payments (to the extent interest at the Default Rate actually paid by Borrower in respect of such payments are insufficient to pay the same) or expenses paid by Servicer or trustee in respect of the protection and preservation of the Property, (b) all costs and expenses, liquidation fees, workout fees, special servicing fees, operating advisor fees or any other similar fees payable by Lender to Servicer which may be due and payable under the Servicing Agreement (whether on a periodic or a continuing basis) as a result of an Event of Default under the Loan, the Loan becoming specially serviced, the commencement or continuance of any enforcement action of any kind with respect to

the Loan or any of the Loan Documents, a refinancing or a restructuring of the credit arrangements provided under this Agreement in the nature of a “work-out” of the Loan Documents, or any bankruptcy, insolvency or liquidation action involving Borrower, Guarantor or any of their respective principals or Affiliates excluding Lender Actions unless arising because of an Event of Default, (c) all costs and expenses of any Property inspections and/or appraisals (or any updates to any existing inspection or appraisal) that Servicer or the trustee may be required to obtain (other than the cost of regular annual inspections required to be borne by Servicer under the Servicing Agreement) as a result of an Event of Default unless arising because of an Event of Default, and (d) all reasonable costs and expenses relating to or arising from any special requests made by Borrower or Guarantor during the term of the Loan including, without limitation, in connection with a prepayment, assumption or modification of the Loan.

#### **Section 10.4. Restructuring of Loan.**

(a) Lender, without in any way limiting Lender’s other rights hereunder, in its sole and absolute discretion, shall have the right at any time to require Borrower to restructure the Loan into additional multiple notes (which may include component notes and/or senior and junior notes), to re-allocate principal among component notes and/or senior and junior notes and/or to create participation interests in the Loan, or the establishment of different interest rates and debt service payments for the Loan, in such order of priority as may be designated by Lender; provided that (i) the total principal amounts of the Loan (including any component notes), shall equal the total principal amount of the Loan immediately prior to the restructuring, (ii) except in the case of the occurrence of an Event of Default or a default beyond all notice and cure periods, or of a Casualty or Condemnation that results in the payment of principal under the Loan, the weighted average interest rate of the restructured Loan shall, in the aggregate, equal the Interest Rate, and (iii) except in the case of the occurrence of an Event of Default and/or a default beyond all notice and cure periods, or of a Casualty or Taking that results in the payment of principal under the Loan, the aggregate debt service payments on the restructured Loan shall equal the aggregate debt service payments which would have been payable under the Loan had the restructuring not occurred.

(b) Borrower shall cooperate, at no cost to Borrower, with all reasonable requests of Lender in order to restructure the Note and the Loan and shall, upon seven (7) Business Days written notice from Lender, which notice shall include the forms of documents for which Lender is requesting execution and delivery, execute and deliver such documents in form reasonably acceptable to Borrower and Guarantor, as shall be reasonably required by Lender and required by any Rating Agency in connection therewith, all in form and substance reasonably satisfactory to Lender and Borrower and Guarantor, including, without limitation, the severance of this Agreement and the other Loan Documents if requested; *provided, however*, that any such amendments required by Lender shall not result in any economic or other material adverse change in the transaction contemplated by this Agreement or the other Loan Documents.

(c) Except as may be required in connection with a Securitization pursuant to Section 10.1, Borrower shall not be obligated to pay any costs or expenses incurred in connection with any such restructuring as set forth in this Section 10.4. All reasonable costs incurred by Borrower shall be paid by Lender.

(d) In the event Borrower fails to execute and deliver such documents described in this Section 10.4 to Lender within fifteen (15) Business Days following such written notice by Lender, and Lender sends a second notice to Borrower with respect to the delivery of such documents containing a legend clearly marked in not less than fourteen (14) point bold face type, underlined, in all capital letters “POWER OF ATTORNEY IN FAVOR OF LENDER DEEMED EFFECTIVE FOR EXECUTION AND DELIVERY OF DOCUMENTS IF NO RESPONSE WITHIN 10 BUSINESS DAYS”, Borrower hereby absolutely and irrevocably appoints Lender as its true and lawful attorney, coupled with an interest, in its name and stead to make and execute all documents necessary or desirable to effect such transactions, Borrower ratifying all that such attorney shall do by virtue thereof, if Borrower fails to execute and deliver such documents within ten (10) Business Days of receipt of such second notice.

**Section 10.5. Lender Register.** Borrower hereby designates Lender or its designee (the “Registrar”) to serve as Borrower’s agent, solely for purposes of this Section 10.5, to maintain, at one of Registrar’s offices, a register for the recordation of the names and addresses of Lender, and the principal amount and stated interest thereon of the Loan (or portions thereof) owing to Lender pursuant to the terms hereof from time to time (the “Register”). Borrower shall at all times treat the Person or Persons in whose name the Loan and the Note is registered (the “Registered Lender”) as the owner thereof for the purpose of receiving all payments thereon and for all other purposes. As of the date hereof, READYCAP COMMERCIAL, LLC is the Registered Lender. The Registrar shall, upon delivery of a notice executed by the then Registered Lender that the Loan and Note (or portion thereof) has been transferred to a transferee, promptly provide Borrower with a copy of such notice and record such transferee in the Register as a Registered Lender. Failure to make any such recordation, or any error in such recordation, shall not affect Borrower’s obligations in respect of the Loan. Such Register shall be available for inspection by Borrower, at any reasonable time and from time to time upon Borrower’s reasonable prior notice. Nothing set forth in this Section 10.5 shall decrease Borrower’s rights or increase Borrower’s liabilities under this Agreement, the Note or any other Loan Documents. The Registrar shall not be entitled to any fee from Borrower or Lender or any other lender in respect of transfers of the Note and other Loan Documents. The rights evidenced by the Note to receive principal and interest may only be transferred if the transfer is registered on the Register pursuant to this Section 10.5.

**Section 10.6. Participant Register.** If Lender sells a participation, Lender shall, acting solely for this purpose as an agent of Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant’s interest in the Loans or other obligations under the Loan Documents (the “Participant Register”); provided that Lender shall have no obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant’s interest in any commitments, loans, or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

## **ARTICLE 11 MISCELLANEOUS**

**Section 11.1. Survival.** This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the execution and delivery by Borrower to Lender of the Note, and shall continue in full force and effect so long as any portion of the Indebtedness is outstanding and unpaid; provided, however, that the representations, warranties and covenants set forth in Sections 4.19 and 9.1 shall survive in perpetuity. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. All covenants, promises and agreements in this Agreement contained, by or on behalf of Borrower, shall inure to the benefit of the respective successors and assigns of Lender. Nothing in this Agreement or in any other Loan Document, express or implied, shall give to any Person other than the parties and the holder(s) of the Note, the Security Instrument and the other Loan Documents, and their legal representatives, successors and assigns, any benefit or any legal or equitable right, remedy or claim hereunder.

**Section 11.2. Lender's Discretion.** Whenever pursuant to this Agreement or any other Loan Document, Lender exercises any right, option or election given to Lender to approve or disapprove, or consent or withhold consent, or any arrangement or term is to be satisfactory to Lender or is to be in Lender's discretion, the decision of Lender to approve or disapprove, consent or withhold consent, or to decide whether arrangements or terms are satisfactory or not satisfactory or acceptable or not acceptable to Lender in Lender's discretion, shall (except as is otherwise specifically herein provided) be in the sole and absolute discretion of Lender.

### **Section 11.3. Governing Law; Submission to Jurisdiction.**

(a) This Agreement shall be interpreted and enforced according to the laws of the State where the Property is located (without giving effect to rules regarding conflict of laws).

(b) Borrower hereby consents and submits to the exclusive jurisdiction and venue of any state or federal court sitting in the county and state where the Property is located with respect to any legal action or proceeding arising with respect to this Agreement and waives all objections which it may have to such jurisdiction and venue.

**Section 11.4. Modification, Waiver in Writing.** No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, the Note or any other Loan Document, or consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given, provided, however, that from time-to-time only with respect to: (a) any such waivers and/or approvals of proposed re-allocations of the Reserve Funds as set forth in Section 3.8(c) hereof, or (b) notices of the existence of an Event of Default in connection with any of the disbursement conditions for the disbursement of any of the Reserve Funds pursuant to Article 3 hereof, can be provided by Lender via e-mail (i.e., no modifications, amendments, extensions, discharges or terminations of any provision of this Agreement, the Note or any other Loan Document shall be

provided by Lender via e-mail). Except as otherwise expressly provided herein, no notice to or demand on Borrower shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances. In addition, Lender shall be entitled (but not be obligated) to extend the time periods within which any post-closing obligations set forth in any side-letters executed and delivered by Borrower in favor of Lender on the Closing Date, are required to be completed for such additional period or periods of times as Lender may reasonably determine.

**Section 11.5. Delay Not a Waiver.** Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege under any Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under any Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under any Loan Document, or to declare a default for failure to effect prompt payment of any such other amount.

**Section 11.6. Notices.** All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) hand delivery, with proof of attempted delivery, (b) certified or registered United States mail, postage prepaid, or (c) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, addressed to the parties as follows:

If to Lender: Ready Capital Structured Finance  
1320 Greenway Drive, Suite 560  
Irving, Texas 75038  
Attention: Dawnyel Dishman

with a copy to: Holland & Knight LLP  
31 West 52nd Street, 12th Floor  
New York, New York 10019  
Attention: Paul W. Cicchetti, Esq.

If to Borrower: 3032 Wilshire Investors LLC  
c/o Cadence Capital Investments LLC  
6400 S. Fiddlers Green Circle, Suite 1820  
Greenwood Village, Colorado 80111  
Attention: David B. Runberg

with a copy to: 3032 Wilshire Investors LLC  
c/o Cadence Capital Investments LLC  
6400 S. Fiddlers Green Circle, Suite 1820  
Greenwood Village, Colorado 80111  
Attention: Drew Willock, Esq.

with a copy to: Brownstein Hyatt Farber Schreck, LLP  
2200  
410 Seventeenth Street, Suite  
Denver, Colorado 80202  
Attention: Jennifer Eiteljorg, Esq.

with a further copy to: Strategic Realty Trust, Inc.  
c/o Glenborough, LLC  
66 Bovet Road, Suite 100  
San Mateo, California 94402  
Attention: Chip Burns

A party receiving a notice which does not comply with the technical requirements for notice under this Section 11.6 may elect to waive any deficiencies and treat the notice as having been properly given. A notice shall be deemed to have been given: (a) in the case of hand delivery, at the time of delivery; (b) in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day; or (c) in the case of expedited prepaid delivery upon the first attempted delivery on a Business Day.

**Section 11.7. Trial By Jury.** BORROWER AND LENDER, TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION, BROUGHT BY ANY PARTY HERETO WITH RESPECT TO THIS AGREEMENT, THE NOTE OR THE OTHER LOAN DOCUMENTS.

**Section 11.8. Headings.** The Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**Section 11.9. Severability.** Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable 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.

**Section 11.10. Preferences.** Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by Borrower to any portion of the obligations of Borrower hereunder. To the extent Borrower makes a payment or payments to Lender for Borrower's benefit, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

**Section 11.11. 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 Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents does not specifically and expressly provide for the giving of notice by Lender to Borrower.

**Section 11.12. Remedies of Borrower.** In the event that a claim or adjudication is made that Lender or its agents, has acted unreasonably or unreasonably delayed acting in any case where by law or under any Loan Document, Lender or such agent, as the case may be, has an obligation to act reasonably or promptly, Borrower agrees that neither Lender nor its agents, shall be liable for any monetary damages, and Borrower's sole remedies shall be limited to commencing an action seeking injunctive relief or declaratory judgment. The parties hereto agree that any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment.

**Section 11.13. Exhibits Incorporated.** The information set forth on the cover, heading and recitals hereof, and the Exhibits attached hereto, are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

**Section 11.14. Offsets, Counterclaims and Defenses.** Any assignee of Lender's interest in and to the Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to the Loan, and the Loan Documents which Borrower may otherwise have against any assignor, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon, the Loan

Documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

**Section 11.15. No Joint Venture or Partnership.** Borrower and Lender intend that the relationship created hereunder be solely that of borrower and lender. Nothing herein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between any of Borrower, Manager, any contractor or Governmental Authority and Lender nor to grant Lender any interest in the Property other than that of mortgagee or lender.

**Section 11.16. Waiver of Marshalling of Assets Defense.** To the fullest extent that Borrower may legally do so, Borrower waives all rights to a marshalling of the assets of Borrower, and of the Property, or to a sale in inverse order of alienation in the event of foreclosure of the interests hereby created, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Property for the collection of the Indebtedness without any prior or different resort for collection, or the right of Lender or any trustee under the Security Instrument to the payment of the Indebtedness in preference to every other claimant whatsoever.

**Section 11.17. Waiver of Counterclaim.** Borrower hereby waives the right to assert a counterclaim, other than compulsory counterclaim, in any action or proceeding brought against Borrower by Lender or Lender's agents.

**Section 11.18. Construction of Documents.** The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same.

**Section 11.19. Brokers and Financial Advisors.** Borrower and Lender hereby represent that they have dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the transactions contemplated by this Agreement except as disclosed to Lender. Borrower hereby agrees to indemnify and hold Lender harmless from and against any and all Losses relating to or arising from a claim by any Person that such Person acted on behalf of Borrower in connection with the transactions contemplated herein. If Borrower has dealt with one or more of foregoing described Persons, Borrower acknowledges and agrees that such Persons may receive additional compensation and/or fees from Lender. The provisions of this Section 11.19 shall survive the expiration and termination of this Agreement and the repayment of the Indebtedness.

**Section 11.20. Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

**Section 11.21. Estoppel Certificates.** Borrower and Lender each hereby agree at any time and from time to time, but in no event more than one time per calendar quarter, upon not less than

fifteen (15) days prior written notice by Borrower or Lender to execute, acknowledge and deliver to the party specified in such notice, a statement, in writing, certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications hereto), and stating whether or not, to the knowledge of such certifying party, any Event of Default has occurred, and, if so, specifying each such Event of Default.

**Section 11.22. Bankruptcy Waiver.** Borrower hereby agrees that, in consideration of the recitals and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, if Borrower (a) files with any bankruptcy court of competent jurisdiction or be the subject of any petition under Title 11 of the U.S. Code, as amended, (b) is the subject of any order for relief issued under Title 11 of the U.S. Code, as amended, unless related to Lender Action not filed in connection with an Event of Default by Borrower, (c) files or is the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or law relating to bankruptcy, insolvency or other relief of debtors, unless related to Lender Action not filed in connection with an Event of Default by Borrower, (d) has sought or consents to or acquiesces in the appointment of any trustee, receiver, conservator or liquidator, unless related to Lender Action not filed in connection with an Event of Default by Borrower, or (e) is the subject of any order, judgment or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency or other relief for debtors, unless related to Lender Action not filed in connection with an Event of Default by Borrower, the automatic stay provided by the U.S. Bankruptcy Code shall be modified and annulled as to Lender, so as to permit Lender to exercise any and all of its rights and remedies, upon request of Lender made on notice to Borrower and any other party in interest but without the need of further proof or hearing. Neither Borrower nor any Affiliate of Borrower shall contest the enforceability of this Section 11.22.

**Section 11.23. Entire Agreement.** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS EVIDENCING, SECURING OR PERTAINING TO ALL OR ANY PORTION OF THE LOAN REPRESENT THE FINAL AGREEMENT BETWEEN BORROWER AND LENDER AS TO THE SUBJECT MATTER THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF SUCH PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN SUCH PARTIES.

**Section 11.24. Liability and Indemnification.**

(a) Lender shall not be liable for any loss sustained by Borrower resulting from any act or omission of any Indemnified Party unless it is finally judicially determined that such loss was solely caused by the fraud, gross negligence or willful misconduct of Lender or any Indemnified Party. Lender shall not be obligated to perform or discharge any obligation, duty or liability with respect to the ownership, operation and/or maintenance of the Property (including under any Lease, Contract or Permit) or under or by reason of any Loan Document. Unless and until Lender becomes

the fee owner of the Property following an Event of Default, the Loan Documents shall not place responsibility for the control, care, management or repair of the Property upon Lender, nor for complying with any Lease, Contract or Permit; nor shall it make Lender responsible or liable for any waste committed on the Property, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, guest, employee or stranger.

(b) Borrower shall indemnify and hold the Indemnified Parties harmless against any and all Losses, and reimburse them for any costs and expenses actually incurred, in connection with, arising out of or as a result of (i) the negotiation, preparation, execution and delivery of the Loan Documents and the documents and instruments referred to therein, (ii) the creation, perfection or protection of Lender's Liens in the Property (including fees and expenses for title and lien searches and filing and recording fees, intangibles taxes, personal property taxes, mortgage recording taxes, due diligence expenses, travel expenses, accounting firm fees, costs of the appraisal, environmental report(s) (and an environmental consultant), surveys and the engineering report(s) obtained by or delivered to Lender in connection with the Loan, (iii) the negotiation, preparation, execution and delivery of any amendment, waiver or consent relating to any of the Loan Documents, (iv) the exercise of any of Lender's or the Indemnified Parties' remedies under any Loan Document, or (v) any alleged obligations or undertakings to perform or discharge any obligation, duty or liability with respect to the ownership, operation and/or maintenance of the Property (including under any Lease, Contract or Permit), except to the extent that it is finally judicially determined that any such Loss resulted directly and solely from the fraud, gross negligence or willful misconduct of such Indemnified Party. If any Indemnified Party becomes involved in any action, proceeding or investigation in connection with any matter described in clauses (i) through (v) above, Borrower shall periodically reimburse any Indemnified Party upon demand therefor in an amount equal to its reasonable legal and other expenses (including the costs of any investigation and preparation) incurred in connection therewith to the extent such legal or other expenses are the subject of indemnification hereunder:

**Section 11.25. Publicity.** Lender shall have the right to issue press releases, advertisements and other promotional materials describing the Loan (including the amount and purpose of the Loan) and Lender's participation in the origination of the Loan. All news releases, publicity or advertising by Borrower or their Affiliates through any media intended to reach the general public which refers to the Loan Documents or the financing evidenced by the Loan Documents, to Lender or any of its Affiliates shall be subject to the prior approval of Lender, except for disclosures required by law which shall not require Lender approval but which shall require prior notice to Lender.

**Section 11.26. Time of the Essence.** Time shall be of the essence in the performance of all obligations of Borrower hereunder and under each of the other Loan Documents.

**Section 11.27. Taxes.** All payments made under the Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, and all liabilities with respect thereto, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority. If Borrower is required by law to deduct any of the foregoing from

any sum payable under the Loan Document, such sum shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 11.27), Lender receives an amount equal to the sum Lender would have received had no such deductions been made. In the event of the passage of any Legal Requirement subsequent to the date hereof in any manner changing or modifying Legal Requirements now in force governing the taxation of mortgages or security agreements or debts secured thereby or the manner of collecting such taxes so as to adversely affect Lender or the Lien of the Loan Documents, Borrower will pay any such tax on or before the due date thereof. In the event Borrower is prohibited by Legal Requirements from assuming liability for payment of any such taxes (or if any Legal Requirement would penalize Lender if Borrower makes such payment or if, in the reasonable opinion of Lender, the making of such payment might result in the imposition of interest beyond the Maximum Amount) or from paying any other Imposition, the outstanding Indebtedness shall, at the option of Lender, become due and payable on the date that is one hundred twenty (120) days after Lender provides notice to Borrower of such change in law and its election to accelerate the Maturity Date; and failure to pay such amounts on the date due shall be an Event of Default.

**Section 11.28. Further Assurances; Loan Servicing.**

(a) Borrower shall execute and deliver to Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary, to (i) evidence, preserve and/or protect the Property at any time securing or intended to secure the Indebtedness, and/or (ii) enable Lender to perfect, exercise and enforce Lender's rights and remedies under any Loan Document, as Lender shall require from time to time in its discretion.

(b) Borrower shall also, in connection with any loan servicing matters arising as a result of Borrower's request hereunder subsequent to the Closing Date, reimburse Lender for any reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by Lender in connection therewith.

**Section 11.29. Permanent Financing.** In the event that Lender (or an Affiliate of Lender) in its sole and absolute discretion provides permanent mortgage financing for the Loan on or before the Maturity Date, the Exit Fee shall be waived by Lender.

[Signatures on the following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

**LENDER:**

**READYCAP COMMERCIAL, LLC,**  
a Delaware limited liability company

By:\_\_\_

Name: Dominick Scali

Title: Authorized Signatory

[Signatures continued on following page]

**BORROWER:**

**3032 WILSHIRE INVESTORS LLC,**  
a Colorado limited liability company

By: 3032 Wilshire SM LLC,  
a Colorado limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: William R. Rothacker  
Title: Manager

Schedule 1

Leasing Guidelines

For purposes of Section 5.6 of the Loan Agreement and the defined term “Approved Lease,” any Lease that complies with all of the following conditions shall be deemed to be an “Approved Lease.”

(i) the Lease is on the Approved Lease Form, without material modification;

(ii) the Lease contains terms which fall within the guidelines listed below:

<b>Space Category</b>	<b>Min. Lease Term (excluding options to extend or renew)</b>	<b>Maximum Demised Premises under Lease</b>	<b>Minimum Rent</b>	<b>Maximum Free Rent</b>	<b>Maximum Tenant Improvements</b>	<b>Maximum Leasing Commissions</b>
Retail Wilshire Frontage	7-Years	NAP	\$113.50/SF NNN	6-Months	\$55/SF	6%
Retail Berkeley Frontage	7-Years	NAP	\$98/SF NNN	6-Months	\$55/SF	6%
Second Floor Retail	7-Years	NAP	\$80/SF NNN	6-Months	\$55/SF	6%

(iii) the initial Lease term is no more than ten (10) years;

(iv) the other terms of the Lease (including any other concessions) are consistent with market conditions and with the Approved Annual Budget; and

(v) the Lease is a bona fide, arm's-length transaction with a person or entity not affiliated with Borrower.

For avoidance of doubt, any Lease that was entered into prior to the Closing Date shall also be deemed an Approved Lease.

## Schedule 2

### Loan Documents

- (a) Promissory Note made by Borrower in favor of Lender in the maximum principal amount of the Loan Amount (the "Note");
- (b) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by Borrower, as grantor, for the benefit of Lender, as beneficiary (the "Security Instrument");
- (c) Assignment of Leases and Rents from Borrower to Lender (the "Assignment of Leases");
- (d) Environmental Indemnity Agreement made by Borrower and the Rothacker Guarantor in favor of Lender;
- (e) Guaranty of Recourse Obligations made by the Rothacker Guarantor in favor of Lender (the "Rothacker Guaranty of Recourse Obligations");
- (f) Guaranty of Recourse Obligations made by the SRT Guarantor in favor of Lender (the "SRT Guaranty of Recourse Obligations;" and together with the "Rothacker Guaranty of Recourse Obligations," collectively, the "Guaranty of Recourse Obligations");
- (g) Completion Guaranty made by the Rothacker Guarantor in favor of Lender;
- (h) Interest Reserve Replenishment Guaranty made by the SRT Guarantor in favor of Lender (the "Interest Reserve Replenishment Guaranty");
- (i) Deposit Account Control Agreement among Borrower, the Account Bank and Lender;
- (j) Assignment And Subordination of Property Management Agreement from Borrower and Manager in favor of Lender;
- (k) Borrower's Certification with respect to Borrower made by Borrower to Lender;
- (l) Guarantor's Certification with respect to the Rothacker Guarantor made by the Rothacker Guarantor to Lender;
- (m) Guarantor's Certification with respect to the SRT Guarantor made by the SRT Guarantor to Lender;
- (n) Borrower's Recycled Entity Certification; and
- (o) Side Letter Regarding Post Closing Obligations

Schedule 3

Approved Annual Budget

[see attached]

SCHEDULE 3

Schedule 4

Approved Capital Expenditures Budget

[see attached]

SCHEDULE 4

Schedule 5

Rent Roll

[see attached]

SCHEDULE 5

Schedule 6

List of Environmental Reports

1. Phase I Environmental Assessment Report, dated February 19, 2019, prepared by EBI Consulting, Inc., as EBI Project No. 1119000638.

SCHEDULE 6

EXHIBIT A-1

Borrower Compliance Certificate

This Compliance Certificate is prepared pursuant to that certain Loan Agreement (the "Agreement"), dated as of \_\_\_\_\_, by 3032 WILSHIRE INVESTORS LLC, a Colorado\_ limited liability company (the "Borrower") in favor of ReadyCap Commercial, LLC, for the month ended \_\_\_\_\_ (the "Period").

The undersigned, [the chief financial officer] of Borrower, pursuant to the Agreement, does hereby certify to Lender, on behalf of Borrower and not in an individual capacity, as follows: (All capitalized terms used herein shall, unless otherwise specified, have the meanings ascribed in the Agreement.)

1. **NO DEFAULTS.** No event of default has occurred and is continuing under the Agreement. The financial statements delivered in connection with this Certificate for the Period, a copy of which are annexed hereto, are accurate and complete in all material respects and fairly represent the financial conditions of Borrower as of the above date (if not, explain).

2. **COMPLIANCE.**

(a) Borrower has complied, and is in compliance, with all of the terms, covenants and provisions of the Agreement (if not, explain).

(b) The Rothacker Guarantor has complied, and is in compliance, with the Net Worth and Liquidity Requirements (if not, explain).

SIGNATURE:      DATE:  
TITLE:

— —

EXHIBIT A-2

SRT Guarantor Compliance Certificate

This Compliance Certificate is prepared pursuant to that certain Loan Agreement (the "Agreement"), dated as of \_\_\_\_\_, by 3032 WILSHIRE INVESTORS LLC, a Colorado\_ limited liability company (the "Borrower") in favor of ReadyCap Commercial, LLC, for the month ended \_\_\_\_\_ (the "Period").

The undersigned, [the chief financial officer] of the SRT Guarantor, pursuant to the Agreement, does hereby certify to Lender, on behalf of the SRT Guarantor and not in an individual capacity, as follows: (All capitalized terms used herein shall, unless otherwise specified, have the meanings ascribed in the Agreement.)

3. **NO DEFAULTS.** No event of default has occurred and is continuing under the SRT Guaranty of Recourse Obligations and the Interest Replenishment Guaranty. The financial statements delivered in connection with this Certificate for the Period, a copy of which are annexed hereto, are accurate and complete in all material respects and fairly represent the financial conditions of Borrower as of the above date (if not, explain).

4. **COMPLIANCE.**

(a) The SRT Guarantor has complied, and is in compliance, with all of the terms, covenants and provisions of the SRT Guaranty of Recourse Obligations and the Interest Replenishment Guaranty (if not, explain).

(b) The SRT Guarantor has complied, and is in compliance, with the Net Worth and Liquidity Requirements (if not, explain).

SIGNATURE:      DATE:  
TITLE:

— —

EXHIBIT B

Deposit Account Information

Account Information:

Beneficiary: 3032 Wilshire Investors LLC LB FBO ReadyCap Commercial LLC

Its successors and assigns as Lender

Account Number: 329681305424

Routing Number: 021300077

Lockbox Mailing Address

3032 Wilshire Investors LLC

PO BOX 714993

CINCINNATI, OH 45271-4993

Lockbox Overnight Address (Only)

Attn: Wholesale Lockbox # (714993)

3032 Wilshire Investors LLC

895 Central Ave, Suite 600

Cincinnati, OH 45202

EXHIBIT B

## EXHIBIT C

### Disbursement Conditions

The following are the applicable disbursement conditions that must be satisfied in connection with the disbursements of each of the Reserve Funds specified below:

#### **For Interest Reserve Funds**

1. The Stabilization Threshold has not occurred.
2. Net Operating Income is insufficient to pay Interest (as determined by Lender on a quarterly basis).
3. No Event of Default exists, other than a non-monetary Event of Default (including, but not limited to, the failure of Borrower or either Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof) beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice (it being the intention of the Parties that such a non-monetary Event of Default, as aforesaid, shall not prohibit the funding of a Draw Request as long as all of the other applicable Disbursement Conditions have been satisfied).

#### **For Operating Expense Reserve Funds**

1. The Stabilization Threshold has not occurred.
2. Operating Income is insufficient to pay the same (as determined by Lender on a quarterly basis).
3. No Event of Default exists, other than a non-monetary Event of Default (including, but not limited to, the failure of Borrower or either Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof) beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice (it being the intention of the Parties that such a non-monetary Event of Default, as aforesaid, shall not prohibit the funding of a Draw Request as long as all of the other applicable Disbursement Conditions have been satisfied).
4. The disbursement shall be in accordance with the Approved Annual Budget or otherwise approved by Lender.

#### **For Capital Expenditures Reserve Funds**

1. No Event of Default exists, other than a non-monetary Event of Default (including, but not limited to, the failure of Borrower or either Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof) beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice (it being the intention of

the Parties that such a non-monetary Event of Default, as aforesaid, shall not prohibit the funding of a Draw Request as long as all of the other applicable Disbursement Conditions have been satisfied).

2. The disbursement shall be in accordance with the Approved Capital Expenditures Budget, or otherwise approved by Lender.
3. For the initial disbursement of Hard Costs Reserve Funds (but only if and as required by Lender), Borrower shall have also provided Lender with a copy of the executed general construction contract (and a W-9 for such general contractor), as and if applicable, for such Capital Expenditures, which general construction contract (and the general contractor thereunder) shall be reasonably acceptable to Lender. Notwithstanding the foregoing, Lender may request copies of a contract from a subcontractor in connection with a Draw Request if there are change orders that Lender would need to confirm, there is a Lien on the Property from a subcontractor and/or if there is particular or specific issue that Lender has at such time with respect to a particular subcontractor.
4. For the initial disbursement of Hard Cost Reserve Funds (but only if and as required by Lender) for Capital Expenditures involving "demolition costs," Borrower shall have also provided Lender with a copy of the executed demolition contract (and W-9's for the demolition contractor) for such Capital Expenditures, which demolition contract, if not a part of the general construction contract (and the demolition contractor thereunder) shall be reasonably acceptable to Lender.
4. Borrower shall have delivered copies of the applicable bills, invoices (for amount in excess of \$10,000.00) and other documentation reasonably required by Lender (including with respect to any cost for labor or materials furnished to the Property in excess of \$50,000 for contracts entered into by Borrower, or otherwise for which the payment of the proceeds of the Draw Request are intended to be used, sworn lien waivers from any Person providing such labor or materials, as well as proof of payment for prior Draw Requests or prior reimbursements, budget trackers and change orders (in order to establish that the costs have been incurred, that the work relating thereto has been completed, and that such amounts are then due.
5. Borrower shall have delivered copies of receipts, marked "paid," or cancelled checks or wire confirmations, for the Capital Expenditures covered by the Capital Expenditures Reserve Funds disbursed to Borrower pursuant to the immediately preceding Draw Request therefor.
6. Lender shall have, at Lender's option, inspected the Property in order to confirm that the Capital Expenditures have been completed and installed (and Borrower will pay all of Lender's actual, out-of-pocket costs, fees and expenses associated with such inspections, which may include fees and costs of an independent, third-party inspector).

#### **For Tenant Improvements/Leasing Commissions Reserve Funds**

1. No Event of Default exists, other than a non-monetary Event of Default (including, but not limited to, the failure of Borrower or Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof) beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice (it being the intention of the Parties that

such a non-monetary Event of Default, as aforesaid, shall not prohibit the funding of a Draw Request as long as all of the other applicable Disbursement Conditions have been satisfied).

2. The disbursement shall be for an Approved Leasing Expense, or otherwise approved by Lender.
3. If the requested disbursement is for the payment or reimbursement of Approved Leasing Expenses associated with a Material Lease, Lender shall, if required by Lender, have also previously reviewed and approved such Material Lease.
4. For the disbursement of Tenant Improvements/Leasing Commissions Reserve Funds (but only if and as required by Lender) for Tenant Improvements, Borrower shall have also provided Lender with a copy of the executed construction contract if entered into by Borrower (and W-9's for the contractor) for such Tenant Improvements, which construction contract (and the contractor thereunder) shall be reasonably acceptable to Lender.
5. For the disbursement of Tenant Improvements/Leasing Commissions Reserve Funds (but only if and as required by Lender) for leasing commissions comprising Approved Leasing Expenses, Borrower shall have also provided Lender with W-9's for the broker, and if requested by Lender, acting reasonably, with a copy of the executed leasing/brokerage contract for such leasing commissions (which leasing/brokerage contract shall in such case also be reasonably acceptable to Lender).
6. Borrower shall have delivered copies of the applicable bills, invoices (for amounts in excess of \$10,000.00) and other documentation reasonably required by Lender (including with respect to any cost for labor or materials furnished to the Property in excess of \$50,000 for contracts entered into by Borrower, or otherwise for which the payment of the proceeds of the Draw Request are intended to be used, sworn lien waivers from any Person providing such labor or materials, as well as proof of payment for prior Draw Requests or prior reimbursements, budget trackers and change orders) in order to establish that the costs have been incurred, that the work relating thereto has been completed, and that such amounts are then due. For avoidance of doubt and purposes of clarification, Lender will not require Borrower to deliver copies of any construction contracts entered into by a tenant and a contractor for any Tenant Improvements covered by a Draw Request.
7. Borrower shall have delivered copies of receipts, marked "paid," or cancelled checks or wire confirmations, for the Approved Leasing Expenses covered by the Tenant Improvements/Leasing Commissions Reserve Funds disbursed to Borrower pursuant to the immediately preceding Draw Request therefor.
8. Lender shall have, at Lender's option, inspected the Property in order to confirm that the Tenant Improvements have been completed and installed (and Borrower will pay all of Lender's actual, out-of-pocket costs, fees and expenses associated with such inspections, which may include fees and costs of an independent, third-party inspector).

### **For Replacement Costs Reserve Funds**

EXHIBIT C

1. No Event of Default exists, other than a non-monetary Event of Default (including, but not limited to, the failure of Borrower or Guarantor to comply with any of the reporting requirements set forth in Section 5.5 hereof) beyond any applicable notice and cure periods and for which Lender has not previously furnished Borrower with written notice (it being the intention of the Parties that such a non-monetary Event of Default, as aforesaid, shall not prohibit the funding of a Draw Request as long as all of the other applicable Disbursement Conditions have been satisfied).
2. Lender shall have reviewed and approved of the Draw Request (which shall set forth the details concerning the Replacement Costs).
3. Lender shall have, at Lender's option, inspected the Property in order to confirm that the Replacements Costs at the Property have been completed and installed (and Borrower will pay all of Lender's actual, out-of-pocket costs, fees and expenses associated with such inspections, which may include fees and costs of an independent, third-party inspector).

EXHIBIT C

EXHIBIT D

Excess Cash Flow Account Information

Bank: KeyBank N.A.  
Location: 127 Public Square, Cleveland, OH. 44114  
ABA: 041001039  
Account Name: KCM Payment Clearings  
Account No.: 359951013036  
Contact: Account Manager  
Reference: Loan Number 201916813

EXHIBIT D

## EXHIBIT E

### Definition of Single-Purpose Entity

A "Single Purpose Entity" is an entity that has not and will not and has organizational documents that provide that it has not and will not:

(1) engage in any business or activity other than the ownership, leasing, sale, refinancing operation and maintenance of the Property, and activities incidental thereto;

(2) acquire or own any assets other than (i) the Property, and (ii) such incidental personal property as may be necessary for the ownership, leasing, maintenance and operation of the Property;

(3) merge into or consolidate with any Person, or dissolve, terminate, liquidate in whole or in part, except as otherwise permitted under the Loan Documents transfer, or otherwise dispose of all or substantially all of its assets or change its legal structure;

(4) fail to observe all organizational formalities, or fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under applicable Legal Requirements of the jurisdiction of its organization or formation, or except as permitted under the Loan Documents, amend, modify, terminate or fail to comply with the provisions of its organizational documents without Lender's prior written consent;

(5) own any subsidiary, or make any investment in, any Person (other than cash and investment-grade securities, issued by an entity that is not an affiliate of or subject to common ownership with such entity);

(6) except as contemplated by the Loan Documents, commingle its funds or assets with the funds or assets of any other Person;

(7) incur any indebtedness (including guaranteeing any obligation) other than (i) the Indebtedness, and the indebtedness evidenced and secured by the Loan Documents, (ii) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (A) unsecured, (B) not evidenced by a note, (C) on commercially reasonable terms and conditions, and (D) due not more than sixty (60) days past the date incurred and paid not more than sixty (60) days following the date due unless being contested in good faith by Borrower, (iii) permitted equipment leases, (iv) Impositions, (v) Premiums, (vi) costs and expenses related to the construction of improvements evidenced by the Approved Capital Expenditures Budget, and (vii) Tenant Improvement costs and leasing commissions ((i) through (vii) collectively "Permitted Indebtedness"); provided however, the aggregate amount of the indebtedness described in (ii) and (iii) shall not exceed at any time two percent (2%) of the aggregate outstanding principal amount of the Indebtedness and the indebtedness evidenced and secured by the Loan Documents. No indebtedness other than the Indebtedness and the indebtedness evidenced and secured by the Loan Documents may be secured by the Property;

(8) fail to maintain all of its books, records, financial statements and bank accounts separate from those of any other Person. Borrower's assets have not and will not be listed as assets on the financial statement of any other Person; provided, however, that Borrower's assets may be included in a consolidated financial statement of its affiliates provided that (i) appropriate notation shall be made on such consolidated financial statements to indicate the separateness of Borrower and such affiliates and to indicate that Borrower's assets and credit are not available to satisfy the debts and other obligations of such affiliates or any other Person and (ii) such assets shall be listed on Borrower's own separate balance sheet;

(9) enter into any contract or agreement with any partner, member, shareholder, principal or affiliate, except, in each case, upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(10) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(11) assume or guaranty the debts of any other Person, hold itself out to be responsible for the debts of any other Person, or otherwise pledge its assets for the benefit of any other Person or hold out its credit as being available to satisfy the obligations of any other Person;

(12) make any loans or advances to any Person;

(13) fail to file its own tax returns (unless prohibited by applicable Legal Requirements from doing so);

(14) fail to (i) hold itself out to the public and identify itself, in each case, as a legal entity separate and distinct from any other Person and not as a division or part of any other Person, (ii) conduct its business solely in its own name, (iii) hold its assets in its own name or (iv) correct any known misunderstanding regarding its separate identity;

(15) fail to endeavor to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations (to the extent there exists sufficient cash flow from the Property to do so provided, however, that the foregoing shall not be interpreted so as to require any capital contributions from any Person to such Person);

(16) without the prior unanimous written consent of all of its partners, shareholders or members, as applicable, the prior unanimous written consent of its board of directors or managers, as applicable, (i) file or consent to the filing of any petition, either voluntary or involuntary except in connection with a Lender Action, (ii) seek or consent to the appointment of a receiver, liquidator or any similar official except in connection with a Lender Action, (iii) intentionally omitted, (iv) make an assignment for the benefit of creditors except in connection with a Lender Action or (v) take any action to consolidate or merge Borrower with or into any Person, or sell all or substantially all of the assets of Borrower, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Borrower or a substantial part of its property except in connection with a Lender Action, or admit in writing Borrower's inability to pay

EXHIBIT E

its debts generally as they become due, or take action in furtherance of any such action, or, to the fullest extent permitted by law except in connection with a Lender Action, dissolve or liquidate Borrower;

(17) fail to allocate shared expenses (including, without limitation, shared office space) or fail to use separate stationery, invoices and checks;

(18) fail to pay its own liabilities (including, without limitation, salaries of its own employees) from its own funds or fail to maintain a sufficient number of employees in light of its contemplated business operations (in each case to the extent there exists sufficient cash flow from the Property to do so provided, however, that the foregoing shall be interpreted so as to require any capital contributions from any Person to such Person);

(19) acquire obligations or securities of its partners, members, shareholders or other affiliates, as applicable; or

(20) identify its partners, members, shareholders or other affiliates, as applicable, as a division or part of it.

EXHIBIT E

EXHIBIT F

Tenant Direction Letter

[see attached]

EXHIBIT F

EXHIBIT G

Disbursement Certification

**FORM OF DISBURSEMENT CERTIFICATION AND SCHEDULE**

Loan No. [\_\_\_\_\_]

The undersigned (“**Affiant**”) does hereby certify and affirm (on behalf of the applicable entity and not in an individual capacity), the following to [\_\_\_\_\_] (“**Lender**”) to induce Lender to disburse (the “**Disbursement**”) the aggregate sum of \$[\_\_\_\_\_] from the [\_\_\_\_\_] pursuant to the terms of that certain Loan Agreement (“**Loan Agreement**”) originally entered into between [\_\_\_\_\_] (“**Borrower**”) and ReadyCap Commercial, LLC, a Delaware limited liability company, d/b/a Ready Capital Structured Finance, dated \_\_\_\_\_. Any capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the Loan Agreement.

1. Affiant is the \_\_\_\_\_ of Borrower, has actual knowledge as to the matters herein set forth and makes this Certification pursuant to Section \_\_\_\_\_ of the Loan Agreement.
2. To Affiant’s knowledge, no Default or Event of Default by Borrower or Guarantor exists under any of the Loan Documents.
3. To Affiant’s knowledge, all of the statements, information, costs and amounts set forth herein or on Exhibit A attached hereto are true and correct in all material respects as of the date hereof. All of the Disbursement funds shall be used solely for the purposes of paying the costs of the [\_\_\_\_\_] specified herein, or for reimbursing Borrower for such costs previously paid by Borrower.
4. All [\_\_\_\_\_] to be funded by the requested Disbursement have been completed in a good and workmanlike manner and in accordance with all applicable Legal Requirements, have not been the subject of a previous Disbursement, and that all outstanding payables with respect thereto (other than those to be paid from the requested Disbursement) have been paid in full.
5. Attached hereto as Exhibit A is a schedule of each contractor, subcontractor, materialman and/or person (each, a “**Payee**”) to be paid (or for which Borrower is to be reimbursed for amounts previously paid by it to such Payee) from the proceeds of the Disbursement, the aggregate amount then payable to each such Payee, and related invoice numbers to be paid from the Disbursement.
6. Each Payee has been paid, or will be paid with the proceeds of the Disbursement, the amounts then due and payable to such Payee in connection with the goods, work or services specified on Exhibit A provided by each such Payee, and Borrower has obtained lien waivers (as and to the extent required under the Loan Documents) from each such Payee with respect to such specified goods, work or services.
7. Each previous disbursement of [\_\_\_\_\_] was used to pay the costs of the [\_\_\_\_\_] identified in the Disbursement Certification and Schedule provided in connection with such previous disbursement.

Date: \_\_\_\_\_

[TO BE EXECUTED BY AN AUTHORIZED OFFICER, GENERAL PARTNER, MANAGING MEMBER OR SOLE MEMBER OF BORROWER (ON BEHALF OF THE APPLICABLE ENTITY AND NOT IN AN INDIVIDUAL CAPACITY), AS APPLICABLE]

EXHIBIT G

## EXHIBIT H

### Organizational Chart

[see attached]

EXHIBIT H

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## Section 4: EX-31.1 (EXHIBIT 31.1)

**EXHIBIT 31.1**

### **CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Batinovich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Strategic Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;

and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ Andrew Batinovich

Andrew Batinovich

Chief Executive Officer, Corporate Secretary and Director  
(Principal Executive Officer)

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## Section 5: EX-31.2 (EXHIBIT 31.2)

**EXHIBIT 31.2**

### **CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, M. Bradley Kettmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Strategic Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ M. Bradley Kettmann  
M. Bradley Kettmann  
Chief Financial Officer  
(Principal Financial Officer)

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## **Section 6: EX-32.1 (EXHIBIT 32.1)**

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Strategic Realty Trust, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Executive Officer of the Company, certifies, to his knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2019

/s/ Andrew Batinovich  
Andrew Batinovich  
Chief Executive Officer, Corporate Secretary and Director  
(Principal Executive Officer)

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## **Section 7: EX-32.2 (EXHIBIT 32.2)**

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Strategic Realty Trust, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Financial Officer of the Company, certifies, to her knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2019

/s/ M. Bradley Kettmann

M. Bradley Kettmann  
Chief Financial Officer  
(Principal Financial Officer)

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