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Skagit County Auditor

WHEN RECORDED RETURN TO:

New North Hill Development LLC
c/o Pacific Realty Advisors LLC
411 University Street, Suite 1200
Seattle, WA 98101

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

Grantor: Hansell Mitzel, LLC

Grantee: New North Hill Development LLC

Legal Description:

Abbreviated Legal Description: A Portion of Lot 28, North Hill Townhomes, Phase I, A Condominium, Skagit County Recording Nos. 200706260088 and 200706260089; A Portion of Tract A, Plat of North Hill P.U.D., Skagit County Recording No. 200505050094, all in Skagit County, Washington

Full Legal Description: See Exhibit A attached

Assessor's Tax Parcel Nos.: P122828/4855-000-028-0000

Reference Nos. of Related Documents: N/A

**DEED OF TRUST,
SECURITY AGREEMENT AND FIXTURE FILING**

This Deed Of Trust, Security Agreement and Fixture Filing ("**Deed of Trust**") is made as of December ___, 2021, by Grantor, **HANSELL MITZEL, LLC**, a Washington limited liability company ("**Borrower**"), whose address is 1111 Cleveland Street, Mt. Vernon, WA 98273. The Trustee is **GUARDIAN NORTHWEST TITLE & ESCROW COMPANY**, whose mailing address is 1301 Riverside Drive, Suite B, Mt. Vernon, WA 98273. The Beneficiary is **NEW NORTH HILL DEVELOPMENT LLC**, a Washington limited liability company ("**Lender**"), whose mailing address 11501 South Dogwood Lane, Woodway, WA 98020. For purposes of Article 9 of the Washington Uniform Commercial Code, this Deed of Trust constitutes a Security Agreement and Financing Statement with Borrower being the Debtor and Lender being the Secured Party. This Deed of Trust will also constitute a Financing Statement filed as a fixture filing under Article 9 of the Uniform Commercial Code (RCW 62A.9-101 et seq.).

In consideration of the Loan described below, Borrower irrevocably GRANTS, TRANSFERS, CONVEYS and ASSIGNS to Trustee, IN TRUST, WITH POWER OF SALE, all of Borrower's present and future estate, right, title, claim, and interest, either in law or in equity, in and to the following property ("**Property**"):

1. The real property and all rights to the alleys, streets and roads adjoining or abutting the real property described on Exhibit A attached hereto ("**Realty**");
2. All easements, access, air and development rights, minerals and oil, gas and other hydrocarbon substances, royalties, water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises and appurtenances now or hereafter belonging or in any way appertaining to the Realty;
3. All buildings, improvements and tenements now or hereafter located on the Realty ("**Improvements**");
4. All fixtures and articles of property now or hereafter attached to, or used or adapted for use in the ownership, development, operation or maintenance of the Realty and Improvements (whether such items are leased, owned, or subject to any title-retaining or security instrument). All such items will be deemed part of the Realty and not severable wholly or in part without material injury to the freehold;
5. All of the rents, revenues, issues, profits and income of the Realty and Improvements;
6. All tangible personal property ("**Personal Property**") used in connection with the ownership, development, operation or maintenance of the Realty and Improvements;
7. All intangible personal property used in connection with the ownership, development, operation or maintenance of the Realty, Improvements, and Personal Property;
8. All materials, supplies, and other goods, wherever located, whether in the possession of Borrower, warehouseman, bailee, or any other person, purchased for use in the construction or furnishing of the Improvements, together with all documents, contract rights, and general intangibles relating thereto, and all proceeds thereof;
9. All site plans, plats, architectural plans, specifications, work drawings, surveys, engineering reports, test borings, market surveys, and other work products relating to the Realty and Improvements;
10. Any and all construction contracts relating to the Improvements, and all amendments thereto, together with all performance, payment, completion or other surety bonds

now, or hereafter issued, by any surety in connection with or related to the construction contract, insofar as the same may be transferable by Borrower without breach of any such bond; and

11. All proceeds of the foregoing.

TO SECURE THE FOLLOWING ("**Secured Obligations**"):

(a) Payment of the sum of \$250,000, with interest thereon, according to the terms and provisions of a Promissory Note ("**Note**") dated the same day as this Deed of Trust, made by Borrower and payable to Lender, including any and all modifications, extensions, renewals and replacements thereof, together with all future advances made under the Note or this Deed of Trust;

(b) Payment of all sums advanced to protect the security of this Deed of Trust, including sums in excess of the amount of the Note, together with interest thereon as herein provided;

(c) Payment of all other sums which are or which may become owing under the Loan Documents;

(d) Performance of all of Borrower's other obligations under the Loan Documents.

As used herein, the term "**Loan Documents**" means the Note, this Deed of Trust, the Construction Loan Agreement dated the same day as this Deed of Trust between Borrower and Lender, and all related documents and instruments (except the Environmental Indemnification and Release Agreement given by Borrower and Guarantor for the benefit of Lender and the Unconditional Guaranty of Payment and Performance given by Guarantor for the benefit of Lender, neither of which is secured by this Deed of Trust), and any and all modifications, extensions, renewals and replacements thereof. The indebtedness secured by this Deed of Trust may be indexed, adjusted, renewed or renegotiated.

BORROWER REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1
TITLE AND USE

1.1 Warranty of Title. Borrower covenants and agrees that: (a) Borrower is lawfully seized of the estate conveyed by this Deed of Trust and has full right and power to grant, convey and assign the Property, (b) the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever, except for the permitted exceptions ("**Permitted Exceptions**") listed on the lender's policy of title insurance issued to Lender insuring the lien of this Deed of

Trust, (c) no other liens or encumbrances, whether superior or inferior to this Deed of Trust, will be created or suffered to be created by Borrower without the prior written consent of Lender, (d) no default on the part of Borrower or, to Borrower's knowledge, any other person exists under any of the Permitted Exceptions and, to Borrower's knowledge, all of the Permitted Exceptions are in full force and effect and in good standing, without modification, (e) complete and current copies of the Permitted Exceptions have been furnished to Lender, and none of them have been or will be modified by Borrower without Lender's prior written consent, (f) Borrower will fully comply with all the terms of the Permitted Exceptions and will deliver to Lender a copy of all notices delivered in connection with the Permitted Exceptions, (g) Lender has the right to contact the other parties to the Permitted Exceptions to confirm the status thereof, and Borrower will, from time to time, at the request of Lender, request of such parties a certificate confirming such information regarding the Permitted Exceptions as Lender may request, and (h) Borrower will forever warrant and defend the Property unto Lender against all claims and demands of any other person whatsoever, subject only to non-delinquent taxes and assessments and the Permitted Exceptions.

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

ARTICLE 2 BORROWER'S COVENANTS

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

2.2 Payment of Taxes, Utilities, Liens and Charges.

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

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

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

(d) Liens and Charges. Borrower will promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Deed of Trust, which may be claimed against the Property; provided that Borrower will have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Borrower, upon prior written notice to Lender, may postpone or defer payment of such lien, encumbrance or other charge so long as (a) such proceedings will operate to prevent the collection of the lien, encumbrance or other charge; (b) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost; and (c) Borrower, before the date such lien, encumbrance or other charge becomes delinquent, either (i) gives such reasonable security as may be requested by Lender to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof, or (ii) obtains a release of lien bond in accordance with RCW 60.04.161.

(e) Taxes, Assessments and Other Charges Imposed on Lender. If, at any time after the date of this Deed of Trust, any law is enacted or changed (including any interpretation thereof) which subjects Lender to any increase in any tax (except federal income taxes), assessment, or other charge, in any form measured by or based on any portion of the indebtedness secured by this Deed of Trust, Borrower will pay such increased amount to Lender on demand; provided that if any such payment would be unlawful, Lender may declare all accrued interest and the entire principal balance of the Note due and payable within 90 days after Lender's written notice to Borrower of such change of law and acceleration of the Note.

2.3 Insurance.

(a) Coverages Required. Borrower will keep the following insurance coverages in effect with respect to the Property:

(1) At such time as there are Improvements constructed on the Realty, insurance against loss by fire and the hazards now or hereafter embraced by the standard Special Form - All Risk policy of insurance, in an amount not less than the full replacement cost of the Improvements. All such insurance coverage will contain loss of rents and/or business interruption insurance coverage, a fluctuating value endorsement with a waiver of the co-insurance clause (or an agreed amount endorsement with an inflation guard endorsement) and will contain such other endorsements as Lender may reasonably request. All such endorsements must be in form and substance satisfactory to Lender.

(2) During any period of construction upon the Property, Borrower will maintain, or cause others to maintain, builder's risk insurance (non-reporting form) of the type customarily carried in the case of similar construction for 100% of the full replacement cost of work in place and materials stored at or upon the Property.

(3) Comprehensive public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property in the minimum amount of \$1,000,000 per occurrence, and \$2,000,000 aggregate.

(b) Policies. Each insurance policy must be from a company and in a form acceptable to Lender. Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Lender. All required policies will provide for at least 30 days' written notice to Lender prior to the effective date of any cancellation or material amendment, which term will include any reduction in the scope or limits of coverage. Within two business days following Lender's request, Borrower will furnish to Lender a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Borrower assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.

(c) Payment; Renewals. Borrower will pay all premiums on insurance policies directly to the carrier. At least 30 days prior to the expiration date of each such policy, Borrower will furnish to Lender a certificate of insurance or other evidence of renewal acceptable to Lender.

(d) Failure to Maintain Insurance. In the event Borrower fails to maintain insurance as provided herein, whether or not an Event of Default has occurred, Lender may, at its election and at Borrower's expense, procure the required insurance on behalf of Borrower and the Property. Any sums advanced by Lender for the payment of insurance premiums must be repaid to Lender within five business days of Lender's demand, and any advances made by Lender for the payment of insurance premiums will be secured by this Deed of Trust, and will accrue interest at the Default Rate under the Note from the date of demand until paid.

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

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

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

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

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

2.4 Preservation and Maintenance of Property; Right of Entry.

(a) Preservation and Maintenance. Borrower will (i) not commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) not abandon the Property, (iii) restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition as of the date of recording of this Deed of Trust, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair and will replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and (v) generally operate and maintain the Property in a commercially reasonable manner in order to ensure maximum revenue.

(b) Alterations. No building or other Improvements may be structurally altered, removed or demolished, in whole or in part, without Lender's prior written consent, nor will any fixture or chattel covered by this Deed of Trust and adapted to the use and enjoyment of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability which is owned by Borrower free and clear of any lien or security interest.

(c) Right of Entry. Lender is authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of

inspecting the Property to determine Borrower's compliance with this paragraph and for the purpose of performing any act authorized under this Deed of Trust.

2.5 Use of Property. Borrower will comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower will not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed. Borrower will not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.

2.6 Condemnation.

(a) Proceedings. Borrower will promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Borrower will appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking. All awards, payments, damages, direct, consequential and otherwise, claims, and proceeds thereof, in connection with any such condemnation or other taking, or for conveyances in lieu of condemnation, are assigned to Lender, and all proceeds of any such awards, payments, damages or claims will be paid to Lender.

(b) Application of Condemnation Proceeds. Condemnation proceeds will be paid and applied in the manner and upon the terms and conditions set forth in paragraph 2.3(d) relating to the application of insurance proceeds.

2.7 Protection of Lender's Security. Borrower will give notice to Lender of and will appear in and defend any action or proceeding that may affect the Property, the interests of Lender or Trustee therein, or the rights or remedies of Lender or Trustee under the Loan Documents. If any such action or proceeding is commenced, or Borrower fails to perform any obligation under the Loan Documents, Lender or Trustee may, at their option, make any appearances, disburse any sums, make any entries upon the Property, and take any actions as may be necessary or desirable to (a) protect or enforce the security of this Deed of Trust, (b) remedy Borrower's failure to perform its obligations under the Loan Documents (without waiving such default by Borrower), or (c) otherwise protect Lender's or Trustee's interests. Borrower will pay all losses, damages, fees, costs, and expenses incurred by Lender and Trustee in taking such actions; including without limitation reasonable legal fees.

2.8 Reimbursement of Lender's and Trustee's Expenses. All amounts disbursed by Lender and Trustee under paragraph 2.7 or any other provision of this Deed of Trust, with interest thereon, will be additional indebtedness of Borrower secured by this Deed of Trust. All such amounts will be immediately due and payable and bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.

2.9 Books and Records; Financial Statements. Borrower will keep and maintain at Borrower's address stated above, or such other place as Lender may approve in writing, books of accounts and records adequate to reflect correctly the results of the operation of the Property, and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments will be subject to examination, inspection and copying at any reasonable time by Lender. Borrower will provide to Lender 30 days after Lender's request but not more than once per calendar year, (a) a balance sheet for the Borrower, (b) Borrower's most recent federal income tax return, (c) a statement of income and expenses of the Property, (d) a statement of changes in financial position with respect to the Property for the prior year, each in reasonable detail and certified by Borrower, (e) a rent roll for the Property, certified by Borrower, showing the name of each tenant, the space occupied, the lease expiration date, the monthly rent, the date to which rent has been paid, and any deposit Borrower is holding, and (f) a complete and current financial statement, in reasonable detail for any general partner and guarantor, together with a true and correct copy of the most recent federal income tax return of any general partner and guarantor. Borrower will also furnish to Lender within 30 days after Lender's request, such additional documents when and as may be required by any other document pertaining to credit or financial reporting requirements in connection with the Loan, all of which additional documents must be in form reasonably acceptable to Lender.

ARTICLE 3

INTENTIONALLY DELETED

ARTICLE 4

RESTRICTIONS ON TRANSFER OR ENCUMBRANCE

Except for the sale of the Unit, which will be made in accordance with the terms and conditions set forth in the Loan Agreement, neither the Property nor any part thereof or interest therein may be encumbered, sold (by contract or otherwise), conveyed, leased, or otherwise transferred by Borrower; nor will there be any change in the ownership or control of the membership interests in Borrower, or of any entity that has an ownership interest in Borrower without the prior written consent of Lender.

ARTICLE 5

UNIFORM COMMERCIAL CODE SECURITY AGREEMENT

5.1 Grant to Lender. This Deed of Trust constitutes a security agreement under the Uniform Commercial Code with respect to:

(a) Any of the Property which, under applicable law, is not real property or effectively made part of the real property by the provisions of this Deed of Trust; and

(b) Any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Borrower as Debtor and Lender as Secured Party and affecting property in any way connected with the use and enjoyment of the Property (any and all such other property constituting "**Property**" for purposes of this Deed of Trust).

Borrower grants Lender a security interest in all property described in clauses (a) and (b) above as security for the Secured Obligations. Borrower and Lender agree, however, that neither the foregoing grant of a security interest nor the filing of any such financing statement will be construed as limiting the parties' stated intention that everything used in connection with the production of income from the Property, or adapted for use therein, or which is described or reflected in this Deed of Trust, is and at all times will be regarded as part of the Realty.

5.2 Lender's Rights and Remedies. With respect to the property subject to the foregoing security interest, Lender will have all of the rights and remedies (a) of a secured party under the Uniform Commercial Code, (b) provided herein, including without limitation the right to cause such Property to be sold by Trustee under the power of sale granted by this Deed of Trust, and (c) provided by law. In exercising its remedies, Lender may proceed against the items of real property and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies. Upon demand by Lender following an Event of Default hereunder, Borrower will assemble any items of personal property and make them available to Lender at the Property. Lender will give Borrower at least 10 days' prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law.

ARTICLE 6

APPOINTMENT OF RECEIVER, LENDER IN POSSESSION

6.1 Borrower's Representations and Warranties. Borrower represents and warrants to Lender that Borrower has not executed and will not execute any leases of the Property, that Borrower has not performed and will not perform any acts and has not executed and will not execute any instrument which would prevent Lender from exercising its rights under this Article 6.

6.2 Lender in Possession; Appointment of Receiver. Upon any Event of Default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Borrower could do the same, including without limitation the making of alterations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Deed of Trust. Following an Event of Default hereunder, Lender will be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Borrower consenting to the appointment of such receiver. The receiver may serve without bond and may be Lender or an employee of Lender. The receiver will have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Lender in this Article 6. Lender or the receiver will be entitled to receive a reasonable fee for so managing the Property.

6.3 Lender Not Mortgagee in Possession. Nothing herein will constitute Lender a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property. Entry upon and taking possession by a receiver will not constitute possession by Lender.

6.4 Enforcement. Lender may enforce this assignment without first resorting to or exhausting any security or collateral for the Secured Obligations.

ARTICLE 7 EVENTS OF DEFAULT

7.1 Events of Default. The occurrence of any one or more of the following will constitute an Event of Default hereunder:

(a) The failure to make any past due payment under the Note, this Deed of Trust or any of the other Loan Documents within three business days after written notice thereof by Lender.

(b) The failure to maintain insurance as required under Section 2.3 of this Deed of Trust.

(d) The failure to perform any other covenant, agreement or obligation under this Deed of Trust or any of the other Loan Documents, if not cured within the time allowed. If no cure period is otherwise specified for such default, the cure period will be within 30 days after Lender's delivery of written demand to Borrower, or if such cure cannot in Lender's opinion be completed within such 30-day period, and Borrower commences the required cure within such 30-day period and thereafter continues the cure with diligence, the cure period will be 90 days after Lender's delivery of such written demand.

(e) The occurrence of an Event of Default beyond applicable notice and cure periods under any of the other Loan Documents.

(f) Borrower or any guarantor or any trustee of Borrower or any guarantor files a petition in bankruptcy or for an arrangement, reorganization or any other form of debtor relief; or such a petition is filed against Borrower or any guarantor or any trustee of Borrower or any guarantor and the petition is not dismissed within 60 days after filing.

(g) A decree or order is entered for the appointment of a trustee, receiver or liquidator for Borrower or any guarantor or Borrower's or any guarantor's property, and such decree or order is not vacated within 60 days after the date of entry.

(h) Borrower or any guarantor commences any proceeding for dissolution or liquidation of Borrower; or any such proceeding is commenced against Borrower or any guarantor and the proceeding is not dismissed within 60 days after the date of commencement.

(i) Borrower or any guarantor makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due.

(j) There is an attachment, execution or other judicial seizure of any portion of Borrower's or any guarantor's assets and such seizure is not discharged within 30 days.

(k) Any representation or disclosure made to Lender by Borrower or any guarantor in connection with the Loan proves to be materially false or misleading when made, whether or not that representation or disclosure is expressly set forth in the Loan Documents.

(l) A default occurs under any other indebtedness now or hereafter owing to Lender on which Borrower or any guarantor is a maker or a guarantor, and such default is not cured within the applicable cure period, if any, under the instruments evidencing and securing such indebtedness.

7.2 Form of Notice. At Lender's option, any written notice of default given to Borrower under paragraph 7.1 may be given in the form of a statutory notice of default under the Washington Deed of Trust Act or any other reasonable form as Lender may elect.

ARTICLE 8
REMEDIES

8.1 Acceleration Upon Default; Additional Remedies. Upon any Event of Default, Lender may, at its option and without notice to or demand upon Borrower, exercise any one or more of the following actions:

- (a) Declare all the Secured Obligations immediately due and payable.
- (b) Bring a court action to enforce the provisions of this Deed of Trust or any of the other Loan Documents.
- (c) Foreclose this Deed of Trust as a mortgage.
- (d) Cause any or all of the Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law.
- (e) Exercise any or all of the other rights and remedies under this Deed of Trust and the other Loan Documents.
- (f) Exercise any other right or remedy available under law or in equity.

8.2 Exercise of Power of Sale. For any sale under the power of sale granted by this Deed of Trust, Lender or Trustee will record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Lender and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several units, lots, or parcels, Lender in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee will be acting as the agent of the Lender in selling such Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law will be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

8.3 Application of Sale Proceeds. The proceeds of any sale under this Deed of Trust will be applied in the following manner:

FIRST: Payment of the costs and expenses of the sale, including without limitation Trustee's fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of Trustee, together with interest on all advances made by Trustee from date of disbursement at the lesser of the default rate under the Note or the maximum rate permitted by law.

SECOND: Payment of all sums expended by Lender under the terms of this Deed of Trust and not yet repaid, together with interest on such sums from date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.

THIRD: Payment of all other Secured Obligations in any order that the Lender chooses.

FOURTH: The remainder, if any, to the person or persons legally entitled to it.

8.4 Waiver of Order of Sale and Marshaling. Lender will have the right to determine the order in which any or all portions of the secured indebtedness are satisfied from the proceeds realized upon the exercise of any remedies provided herein. Borrower, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, waives any and all right to require marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust.

8.5 Non-Waiver of Defaults. The entering upon and taking possession of the Property, the collection of Rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof as herein provided, will not cure or waive any default or notice of default hereunder or invalidate any act done under such notice.

8.6 Expenses During Redemption Period. If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the Purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the lesser of the default rate under the Note, or the maximum rate permitted by law, will be added to and become a part of the amount required to be paid for redemption from such sale.

8.7 Evasion of Prepayment Terms. If any Event of Default has occurred, a tender of payment of the indebtedness secured by this Deed of Trust at any time prior to or at a judicial or non-judicial foreclosure sale of the Property by Borrower, or anyone on behalf of Borrower, will constitute an evasion of any prepayment terms of the Note and will constitute a voluntary

prepayment thereunder, and any such tender will include any prepayment premium required under the Note.

8.8 Remedies Cumulative. To the extent permitted by law, every right and remedy provided in this Deed of Trust is distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity or any other agreement between Lender and Borrower, and may be exercised concurrently, independently or successively, in any order whatsoever. Lender may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

8.9 Lender's and Trustee's Expenses. Borrower will pay all of Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust, whether or not any suit is filed, including without limitation legal fees and disbursements, foreclosure costs and title charges. All such sums, with interest thereon, will be additional indebtedness of Borrower secured by this Deed of Trust. Such sums will be immediately due and payable and will bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.

ARTICLE 9 GENERAL

9.1 No Offset. Borrower's obligation to timely pay and perform all obligations under the Note, this Deed of Trust and the other Loan Documents will be absolute and unconditional and will not be affected by any event or circumstance; including without limitation any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense or any other right that Borrower or any guarantor may have or claim against Lender or any other person or entity. The foregoing will not constitute a waiver of any claim or demand that Borrower or any guarantor may have in damages or otherwise against Lender or any other person or entity; provided that Borrower will maintain a separate action thereon.

9.2 Application of Payments. Except as applicable law or this Deed of Trust may otherwise provide, all payments received by Lender under the Note or this Deed of Trust will be applied by Lender in the following order of priority: (a) Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust; (b) interest payable on advances made to protect the security of this Deed of Trust; (c) principal of such advances; (d) interest and late charges payable on the Note; (e) principal of the Note; and (f) any other Secured Obligations in such order as Lender, at its option, may determine; provided, however, that Lender may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Deed of Trust.

9.3 Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender will request Trustee to reconvey the Property and will surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee will reconvey the Property without warranty to the person or persons legally entitled thereto. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts will be conclusive proof of the truthfulness thereof. Such person or persons will pay Trustee's reasonable costs incurred in so reconveying the Property.

9.4 Successor Trustee. In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

9.5 Lender's Powers. Without affecting the liability of any person for payment or performance of the Secured Obligations or any of Lender's rights or remedies, Lender, at its option, may extend the time for payment of the indebtedness secured by this Deed of Trust or any part thereof, reduce payment thereon, release anyone liable on any of the indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the indebtedness, release the lien of this Deed of Trust on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof. Borrower will pay Lender a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

9.6 Subrogation. Lender will be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured by this Deed of Trust.

9.7 Limitation on Interest and Charges. The interest, fees and charges under the Loan Documents will not exceed the maximum amounts permitted by any applicable law. If any such interest, fee or charge exceeds the maximum, the interest, fee or charge will be reduced by the excess and any excess amounts already collected from Borrower will be refunded. Lender may refund such excess either by treating the excess as a prepayment of principal under the Note or by making a direct payment to Borrower. If Lender elects to treat the excess as a prepayment of principal, Borrower will not be obligated to pay any prepayment premium required under the Note. The provisions of this paragraph will control over any inconsistent provision in the Loan Documents.

9.8 Additional Documents. Borrower, from time to time, will execute, acknowledge and deliver to Lender upon request, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Lender, as Lender may request in order to perfect, preserve, continue, extend or maintain the assignments herein contained, the lien and security interest under this Deed of Trust, and the priority thereof. Borrower will pay to Lender upon request therefor all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document.

9.9 Waiver of Statute of Limitations. To the full extent Borrower may do so, Borrower waives the right to assert any statute of limitations as a defense to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Note or any other obligation secured by this Deed of Trust.

9.10 Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, will not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Lender of any particular default will constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Lender of payment of any sum secured by this Deed of Trust after the due date thereof will not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender will not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor will Lender's receipt of any awards, proceeds or damages under paragraphs 2.3 and 2.6 hereof operate to cure or waive Borrower's default in payment of sums secured by this Deed of Trust.

9.11 Modifications and Waivers. This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

9.12 Notice. Any notice to Borrower under this Deed of Trust will be to the address noted above or such other address as may be designated by Borrower in writing and will be deemed to have been given on the date delivered in the case of personal delivery or, if mailed, three days after the postmark thereof.

9.13 Governing Law; Severability; Captions. This Deed of Trust will be governed by the laws of the State of Washington. If any provision or clause of this Deed of Trust conflicts with applicable law, such conflicts will not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and articles of this Deed

of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

9.14 Definitions. As used herein: the term "**Borrower**" means the Borrower herein named, together with any subsequent owner of the Property or any part thereof or interest therein; the term "**Trustee**" means the Trustee herein named, together with any successor Trustee; and the term "**Lender**" means the Lender herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants.

9.15 Successors and Assigns; Joint and Several Liability; Agents. This Deed of Trust will bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the provisions of Article 4 hereof. Each person executing this Deed of Trust as Borrower will be jointly and severally liable for all obligations of Borrower hereunder. In exercising any rights hereunder or taking actions provided for herein, Lender and Trustee may act through their respective employees, agents or independent contractors as authorized by Lender and Trustee.

9.16 Number; Gender. This Deed of Trust will be construed so that wherever applicable the use of the singular number will include the plural number, and vice versa, and the use of any gender will be applicable to all genders.

9.17 Time. Time is of the essence in connection with all obligations of Borrower herein.

9.18 Request for Notice. Borrower requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Deed of Trust.

BORROWER:

HANSELL MITZEL, LLC, a
Washington limited liability company

By: 

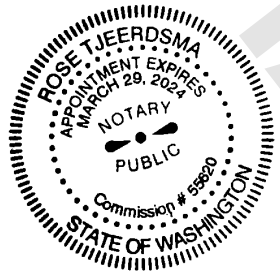
Dan Mitzel, its Manager

STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

On this 13 day of December, 2021, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared **Dan Mitzel**, known to me to be the Manager of **HANSELL MITZEL, LLC**, the limited liability company that executed the foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of the limited liability company, for the purposes therein mentioned, and on oath stated that he was authorized to execute the instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.



Rose M Tjeerdsma
Signature

Rose M Tjeerdsma
Print Name

NOTARY PUBLIC in and for the State of Washington.

My commission expires 3/29/24.

EXHIBIT A
Legal Description

Lot 28 of "North Hill Townhomes, Phase I, a Condominium" as per the map and declaration thereof recorded as Skagit County Auditor's File Nos. 200706260088 and 200706260089 as amended; EXCEPT Units 38A, 38 B, 39A, 39B, 40A, 40 B and 40C established by the amendments to said map and declaration. All of the above being portions of Lot 28 and Tract A of the plat of "North Hill P.U.D" as per plat recorded as Skagit County Auditor's File No. 200505050094.