

When recorded return to:

MICHAEL A. WINSLOW
Attorney at Law
1204 Cleveland Avenue
Mount Vernon, Washington 98273



Skagit County Auditor
5/1/2017 Page

1 of 11 4:00PM \$84.00

Land Title and Escrow

1162070 DE

SHORT FORM DEED OF TRUST

GRANTOR: Tveter and Son LLC, a Washington limited liability company

GRANTEES:
1. Beneficiary KKAR Enterprises, L.L.C., a Washington limited liability company
2. Trustee Land Title & Escrow

LEGAL DESCRIPTION:

Lots 12 and 13, "THE ORCHARDS P.U.C.," as per plat recorded January 19, 2006, under Auditor's File No. 200601190126, records of Skagit County, Washington.

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

ASSESSOR'S PROPERTY TAX

PARCEL OR ACCOUNT NOS. P123995 P123996

REFERENCE NOS OF DOCUMENTS

ASSIGNED OR RELEASED: None.

CONVEYANCE:

This Deed of Trust is made on May 1st, 2017, between Tveter and Son LLC, a Washington limited liability company, whose address is 1320 Riverside Drive, Suite A, Mount Vernon, WA 92873, *Grantor*; KKAR Enterprises, L.L.C., whose address is 1404 Riverside Drive, Mount Vernon, WA 98273, *Beneficiary*; and Land Title & Escrow, whose address is 111 E. George Hopper Road, Burlington, WA 98233, *Trustee*.

Grantor hereby irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, all Grantor's estate, right, title, interest, claim and demand, now owned or hereafter acquired, in and to the following described property in Skagit County, Washington (the "Property," which term shall include all or any part of the Property, any improvements thereon and all the property described in Section 1 of the Master Form Deed of Trust hereinafter referred to); which have the addresses of 4406

and 4408 Orchard Avenue, Anacortes, Skagit County, Washington, and legally described as follows:

Lots 12 and 13, "THE ORCHARDS P.U.C.," as per plat recorded January 19, 2006, under Auditor's File No. 200601190126, records of Skagit County, Washington.

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

TOGETHER WITH all the tenements, hereditments and appurtenances now or hereafter belonging or in any way appertaining leases and other agreements for use and occupancy pertaining thereto and the rents, issues and profits thereof and all other property or rights of any kind or nature whatsoever further set forth in the Master Form Deed of Trust hereinafter referred to SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profit. This Deed of Trust shall constitute a security agreement under the Uniform Commercial Code of Washington between Grantor as debtor and Beneficiary as secured party. Grantor grants a security interest to Beneficiary in any of the property which is personal property and also grants a security interest in the property described in Section 2 of the Master Form Deed of trust hereinafter referred to, now owned or hereafter acquired by Grantor (the Property as defined above, and the property described in said Section 2 are hereafter referred to as the "Collateral").

THIS DEED IS FOR THE PURPOSE OF SECURING the following:

- (a) Payment of the sum of Nine Hundred Thousand Dollars (\$900,000.00), with interest thereon according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor (the "Note," which term shall include all notes evidencing the indebtedness secured by this Deed of Trust, including all renewals, modifications or extensions thereof);
- (b) Payment of any further sums advanced or loaned by Beneficiary to Grantor, or any of its successors or assigns, if:
 - (i) the note or other writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust; or
 - (ii) the advance, including costs and expenses incurred by Beneficiary, is made pursuant to this Deed of Trust or any other documents executed by Grantor evidencing, securing or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust (this Deed of Trust, the Note and such other documents, including any construction or other loan agreement are hereafter collectively referred to as the "Loan Documents") together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing.
- (c) Performance of each agreement, term and condition set forth or incorporated by reference in the Loan Documents, including without limitation the loan agreement and/or commitment dated and assignment of leases and/or rents of even date herewith, which are incorporated herein by reference, or contained herein. This includes, specifically, the obligation to pay additional loan fees as provided in the Loan Request And Agreement to Pay Loan Fees entered into between Beneficiary and Grantor/Borrower.

By executing and delivering this Deed of Trust and the Note secured hereby, the parties agree that all provisions of Paragraphs 1 through 65 inclusive of the Master Form Deed of Trust hereinafter referred to, except such paragraphs as are specifically excluded or modified herein, are hereby incorporated herein by reference and made an integral part hereof for all purposes the same as if set forth herein at length, and the Grantor freely makes said covenants and agree to fully perform all of said provisions. The Master form Deed of Trust above referred to was recorded on the eleventh 11th day of August, 1987, in the Official Records of the offices of the county Auditors of the following counties in Washington in the book, and at the page designated after the name of each county, to-wit:

COUNTY	BOOK OR VOL.	PAGE NO.	AUDITOR'S FILE NO.
Adams	142	305	213404
Asotin			175404
Benton	493	1125	87-12850
Chelan	880	1663	8708110050
Clallam	784	278	594433
Clark		19	8708110009
Columbia	2H	296	H2135
Cowlitz			870811020
Douglas	M224	76	245733
Ferry	MF		205269
Franklin	0227	251	454027
Garfield			87248
Grant	634	109	804746
Grays Harbor	87	18669	870811031
Island	559	1756	87011073
Jefferson	243	338	309675
King			8708110560
Kitsap	432	682	8708110065
Kitittas	264	212	506597
Klickitat	141	300	206526
Lewis	365	154	960637
Lincoln			377660
Mason	384	027	470654
Okanogan	70	2376	741827
Pacific	8708	348	84496
Pend Oreille	74	899	194502
Pierce	0440	0367	8708110085
San Juan	188	341	87147097
Skagit	719	58	8708110057
Skamania	106	326	1036446
Snohomish	2079	0467	0708110076
Spokane	918	688	8708110112
Stevens	115	0434	8705730
Thurston	1511	769	8708110045
Wahkiakum	71	256	38075
Walla Walla	166	400	8706174

Whatcom	48	614	1580300
Whitman	1217		521420
Yakima		977	2807235

A copy of such Master Form Deed of Trust is hereby furnished to the person executing this Deed of Trust and by executing this Deed of Trust, the Grantor acknowledges receipt of such Master Form Deed of Trust. The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes. The undersigned Grantor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at the address hereinbefore set forth.

The specific provisions of this Deed of Trust, the Promissory Note secured hereby and the Loan Agreement (if any) shall control in the event of conflict with provisions with the Master Form.

Paragraph 17 of the Master Form Deed of Trust is deleted and the following language is substituted:

Due on Sale Clause. Beneficiary may, at its option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer of all or any part of the real property, or any interest therein, without the Beneficiaries' prior written consent. A "sale or transfer" means the conveyance of any property or any right, title or interest therein; whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than ten years, lease/ option to purchase contract; sale, assignment or transfer of any beneficial interest in or to any land trust holding title to the real property or any other method of conveyance of real property interests. A sale of the corporation, limited liability company or partnership interest greater than 49% of the voting stock, partnership interests, or member interests after date of the recording the Deed of Trust or dilution of the current voting stock, partnership or member interests through issuance of additional shares or interests shall likewise constitutes a "transfer". In the case of a conveyance or contract to convey, the interest shall likewise increase to the default amount or the holder may consent to the conveyance or contract to convey and increase the interest rate provided for herein. However, this option shall not be exercised by Beneficiary if exercise is prohibited by federal or Washington law.

Paragraph 26 of the Master Form Deed of Trust is deleted and the following language is substituted:

Late Charge. Payments will be late if not received Beneficiary or his successor within the date due as specified in the Promissory Note. If a payment is late, Makers agree to pay a late charge equal to five percent (5%) of the amount of the delinquency. If the event the full balance of the note is not paid on or before 30 days from the date due, the Maker shall pay a late charge equal to two percent (2%) of the balance of all principal and interest due. There will be no daily pro rata adjustment. All late charges shall accrue to the benefit of the Beneficiary. This paragraph shall not relieve the Grantor of the obligation to make payments on or before the date on which they are due nor do the terms of this paragraph in anyway affect Beneficiary's remedies pursuant to the terms of the Note secured hereby or this Deed of Trust.

Paragraph 47 of the Master Form Deed of Trust is deleted.

Paragraph 58(b) of the Master Form Deed of Trust is deleted and the following language is substituted:

(b) Grantor shall promptly comply with all statues regulations and ordinances which apply to Grantor or the Property and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction which Grantor is bound by, relating to the use, collection, storage, treatment, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under an adjacent property that becomes contaminated with hazardous or toxic substances as a result or construction, operations or other activities on, or the contamination of, the Property, at Grantor's expense. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest as Beneficiary; and whether or not Grantor has actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof, Grantor shall reimburse Beneficiary on demand for the full amount of all costs and expenses incurred by Beneficiary prior to Beneficiary acquiring title to the Property through foreclosure or deed in lieu of foreclosure, in connection with such compliance activities.

The term "Grantor" as used in this agreement includes the "Borrower" as defined in RCW 61.24, if the Borrower is a person or entity other than the Grantor.

To the extent permitted by law, including, without limitation, RCW 61.24.100, the Beneficiary hereunder may seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a non-judicial trustee's sale of all or a portion of the security for the obligation secured by this Deed of Trust.

The parties covenant and agree that the loan for which this Deed of Trust is given is for commercial purposes only. The Grantor/Borrower expressly covenants and agrees that the loan proceeds will not be used for any personal, family, or household purpose.

This Deed of Trust is also subject to specific provisions as set forth in the Construction Rider, which is attached hereto as Exhibit A and incorporated by this reference as if set forth in full herein. The provisions in the Construction Rider shall control to the extent that there is any conflict with the provisions of the Master Form Deed of Trust.

Partial Reconveyance Requirements. Upon not less than twenty (20) days' prior written notice from Grantor, Beneficiary shall request of the Trustee a partial reconveyance from the lien of this Deed of Trust to certain portions of the property on the following terms and conditions:

(a) There exist no defaults under the Loan Agreement, the Note, this Deed of Trust or any other security for the Note at the time the partial reconveyance is requested or is to be recorded, provided, however, no consent to any partial reconveyance shall constitute a waiver of any default, nor of any condition herein to any future reconveyance;

(b) The size and configuration of the parcel to be reconveyed has been approved by Beneficiary in writing, which consent shall not be unreasonably withheld;

(c) Grantor has provided Beneficiary with satisfactory evidence confirming that the parcels being reconveyed and the parcels remaining encumbered by this Deed of Trust following the reconveyance comply with all applicable site plan, subdivision and platting requirements;

(d) The parcel(s) remaining encumbered by this Deed of Trust constitute separate tax parcels and one or more separate legal lots;

(e) The parcels remaining encumbered by this Deed of Trust following the reconveyance have adequate access to all rights-of-way, utilities, shared parking and other common areas;

(f) The partial reconveyance will not result in any encroachment or breach any zoning law.

- (g) Beneficiary's receipt at Grantor's expense of one or more endorsements to its mortgagee's title insurance policy insuring the continuing validity and priority of this Deed of Trust following the partial reconveyance; insuring the matters set forth in clause (d) above; and insuring such other matters set forth in clause (e) and (f) hereof above as can be insured to lender's satisfaction by title endorsement;
- (h) Beneficiary's receipt of payment of all Beneficiary's costs and fees, including review and approval work, incurred in connection with such partial reconveyance request; and
- (i) Beneficiary's receipt of the Release Price as stated in the Master Construction Loan Agreement, together with a fee payable to the Beneficiary in the amount of \$250.00 for the Beneficiary's service fee for processing and approving the reconveyance.

Grantor's Street address for service of process:

1320 Riverside Drive, Suite A
 Mount Vernon, WA 98273

WITNESS the hand and seal of the Grantor on the day and year first above written.

Tveter and Son LLC

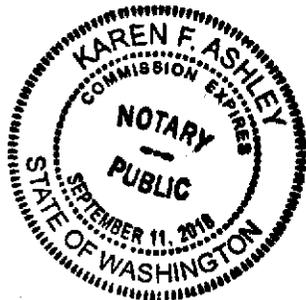


By: Michael A. Tveter, Manager/Member

State of Washington)
)ss
 County of Skagit)

I certify that I know or have satisfactory evidence that Michael A. Tveter is the person who appeared before me; that he acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged as the Manager/Member of Tveter and Son LLC, to be the free and voluntary act of him for the uses and purposes contained in the instrument.

DATED: April 29th, 2017.



Karen Ashley
 Karen Ashley, Notary Public
 My commission expires 9-11-2018

CONSTRUCTION RIDER, EXHIBIT A

This Construction Rider is made a part of that certain Deed of Trust to be entered into by and between Tveter and Son LLC, as Grantor under the Deed of Trust; and KKAR Enterprises, L.L.C., as Beneficiary (also referred to a *Lender*) of the said Deed of Trust and Lender under the Promissory Note. The following terms and conditions become a part of the Deed of Trust and modify the terms set forth therein. To the extent that any of the provisions set forth below conflict with any provisions of the Master Form Deed of Trust, the provisions contained in this Rider shall be controlling.

1. **Construction.** The Grantor shall complete construction of new homes on the lots secured by this Deed of Trust within the time frames specified in the Construction Loan Agreement, or amendments thereto. The Grantor will use construction plans provided to Lenders and shall perform construction in accordance with its construction budget, as provided to Lenders.
2. **Use of Funds.** The loan funds which are secured by this Deed of Trust shall be used solely by the Grantor for construction of the improvements, in accordance with the contract referenced in the preceding paragraph. No part of the loan proceeds shall be used to pay loan fees, interest, or other charges not directly connected with the construction of improvements on the mortgaged premises.
3. **Conditional Release of Funds.** Progress draws shall be released when the Beneficiary's construction inspector provides notice to the Beneficiary, by written certification, that the phase of work is completed by the general contractor/Grantor in accordance with the plans and specifications and the schedule stated in the Construction Loan Agreement, or amendments thereto. The final draw shall not be released to the Grantor until such time as the Beneficiary's representative provides notice to the Beneficiary, by written certification, that 100% of the work is completed in accordance with the plans and specifications and the other terms and conditions of this Agreement have been met.
 - a. The project shall be identified by reference in the Construction Loan Agreement, or amendments thereto.
 - b. Prior to the first construction draw, Grantor shall provide copies of final plans and specifications/scope of work for the project. In addition, Lender may require Grantor to provide a sworn statement on behalf of Grantor, if acting as general contractor, or from the general contractor, if a third party is so acting, listing each subcontractor and the amount of each contract let. Lender may also require one copy of the most recent survey, showing the location of any easements, setback lines, or other physical matters affecting the property and title thereto. Grantor shall provide evidence acceptable to Beneficiary that the proposed development complies with applicable zoning laws, environmental protection agency requirements, and building and municipal ordinances. Such matters may be required if reasonably necessary to assure the Lender of the status

of the collateral and viability of work to be performed.

c. Grantor shall provide public liability and/or other insurance for construction projects of this type in form of Standard Builder's Risk Policy/Binder with appropriate customary coverage. The policy/binder shall contain a mortgagee's clause in favor of Beneficiary and shall be written by an insurer acceptable to Beneficiary.

d. Grantor shall provide a copy of the approved Building Permit, if such is a requirement, and Grantor shall certify that there have been no changes to the approved plans, drawing, engineering, surveys, or other calculations necessary to prosecute the project since the last draw was taken by Grantor.

4. Request for Draws Grantor shall present his request for a draw in writing in accordance with the disbursement schedules to be appended to the Construction Loan Agreement, or amendments. Grantor shall submit documentation to support the draw request to Lender's representative. Beneficiary shall have the right to review the draw request, utilizing the services of a construction analyst, engineer or surveyor, as may be appropriate in the event that the initial review by Lender's construction inspector raises reasonable concerns about the Beneficiary's security or the completeness of the work necessary to meet the draw requirement. Such review or inspection by professionals shall be at Grantor's expense and payment, therefore, shall be deducted from the loan proceeds.

5. Failure to Complete. Construction of the work to be completed or erected on the mortgaged premises shall be in accordance with the plans and specifications referenced herein above, with construction to be completed to the reasonable satisfaction of the Beneficiary and its representative, based on the agreed specifications and levels of finish approved. If the work on such construction ceases before completion and the work remains abandoned for a period of thirty days, or in the event construction is not completed to the reasonable satisfaction of the Beneficiary, then the entire principal sum secured by this Deed of Trust and interest thereon may at once become due and payable at the option of the Beneficiary.

6. Compliance with Building Regulations. Grantor will comply with all statutes, ordinances and governmental requirements affecting the mortgaged premises and the erection, repair, or removal of any buildings or other improvements thereon. If the Grantor neglects, refuses to so comply, and such failure or refusal continues for a period of thirty days after written notice, then at the option of the Beneficiary hereunder and upon written notice thereof, the entire balance of the principal sums secured hereby, together with all accrued interest, will immediately become due and payable.

7. Beneficiary's Right to Complete Construction. In the event the work on the construction of the building or buildings to be erected on the mortgaged premises is abandoned for a period of thirty days, the Beneficiary may, at its option, enter upon the premises through such agents and contractors as they may hereafter elect and complete construction of the building or buildings in accordance with the plans and specifications approved by the county building authority. In such

event, Grantor gives the Beneficiary full power and authority to make such entry and to enter into such contracts or arrangements as may be necessary to complete the building or buildings.

Money expended by the Beneficiary in connection with such completion of construction shall be payable by the Grantor on demand and until such payment is made shall be added to the principal amount of the Note secured by this Deed of Trust and shall bear interest at the rate set forth in the Note. The Beneficiary shall have the right to seek the appointment of a receiver in order to enforce the rights granted hereunder by the Grantor. In the event that the Lenders find it necessary to obtain an injunction or obtain other equitable relief, which might require the posting of a bond by the Beneficiary, the Beneficiary shall have the right to obtain such relief without the necessity of posting a bond as a condition of granting such relief or injunction. In furtherance of the right to complete construction, Grantor hereby grants to Beneficiary a security interest in the building and other construction related permits, the plans and specifications, the orders of materials and supplies from vendors to the project, the mitigation, connection or development fees paid by Grantor to municipal entities or utility services, and the right to execute assignment of such permits or entitlements in the name of Grantor for the benefit of Beneficiary. Grantor's appointment of Beneficiary as Attorney-in-Fact for Grantor, as stated in the Master Form Deed of Trust is hereby ratified for this purpose.

8. Rights of Lender. If, in the opinion of Lender, any work in connection with construction of the Improvements has not been done, or is not being done in accordance with good building practices, in accordance with any Law (as defined above), or in accordance with the approved Plans and Specifications, or is otherwise unsatisfactory, Lender shall have the right, without waiver of default or of any other right of Lender, to stop said work and order its replacement or correction, whether or not such work has theretofore been incorporated in the Improvements, and shall be entitled to withhold all further disbursements until such work has been corrected. Failure of Borrower to make corrections, within fifteen (15) days after demand from Lender, or other reasonable period as is then applicable and approved shall constitute a further event of default hereunder.

9. Disbursements. Disbursement of loan funds may be paid to Borrower, or, at the option of Lender, to Borrower jointly with the contractor, materialmen, laborers, or subcontractors engaged in the construction work, or, at the option of Lender, directly to the contractor, materialmen, laborers or subcontractors engaged in the construction work, and at such times as the construction has, to the satisfaction of Lender, reached certain stages in accordance with the Plans and Specifications. Borrower agrees that Lender may stamp the back of any Loan proceeds check, or Borrower check with a "Lien Waiver" stamp. In the alternative, Borrower will prepare a Lien Release, in a form satisfactory to Lender for signature by either the contractor, materialmen, laborers or subcontractors, in exchange for payment, as more fully described below.

10. Lien Releases. Prior to each and any disbursement, Lender may require, as a condition to such advance, that Borrower obtain from all subcontractors and materialmen, an acknowledgment of payment and release of lien through the date covered by the last advance, or the last date on which the contractor, subcontractor, or materialman performed services on or

furnished material for the construction, as the case may be. Such acknowledgment and release shall be in standard form approved by Lender and shall cover all work done, labor performed and materials furnished or rented with respect to the Property and/or the Improvements

11. Discharge of Liens. Borrower shall not allow any lien (statutory or otherwise) of any type to be recorded with respect to the Property, any Improvement or any portion of the same. Borrower shall give to Lender immediate written notice of the filing or recording of any such lien. In the event that any such lien is recorded, Lender may, without waiver of such default by Borrower or of any of Lender's other rights or remedies, cause such lien to be discharged (or may accept an assignment of rights of lienholder) by any lawful means. All costs incurred by Lender in connection with such lien shall be repaid to Lender immediately upon demand, and until repaid such sums shall bear interest at the applicable rate under the Note and shall be secured by the Trust Deed. Borrower's obligations under this paragraph is subject to Borrower's right to dispute and contest in good faith any lien filed against the Property, so long as such dispute or contest does not materially impair the Lender's security and there is deposited with Lender or the Title Company an amount sufficient to satisfy said lien, any interest that may accrue thereon, and any expenses, including attorney's fees, which may or could be incurred in connection therewith, such amount generally shall be in the amount of the lien, plus \$100.00, unless a bond is posted by the Borrower to the satisfaction of the Lender. Borrower shall be required to obtain from the Title Company an endorsement to Lender's title policy insuring that Lender's Deed of Trust is in a prior position and insuring against any loss by reason of said lien. Written acknowledgment and consent to contest a lien shall be received from Lender, in advance and in Lender's sole discretion.

12. Insurance. Prior to Closing, Borrower shall obtain, and thereafter Borrower shall keep continuously in effect, the following policies of insurance, in such form and issued by such companies as are reasonably acceptable to Lender. Each policy shall be delivered to Lender and shall provide for thirty (30) days written notice to Lender prior to cancellation or amendment and for full waiver of subrogation in favor of Lender.

12.1 Liability. A comprehensive general liability policy of insurance including Products and Completed Operation coverage and a provision insuring performance of Borrower's indemnity obligation and providing coverage in whatever minimum amount is required by the State of Washington, or if not specifically set forth, then according to minimum insurance industry standards for coverage of bodily injury or death, and property damage arising from any occurrence on the Property. Said insurance shall name Lender as an additional insured.

12.2 Casualty. An "all risk" builder's risk, physical hazard insurance policy in an amount equal to 100% of full replacement value of all Improvements and contents thereof, without coinsurance or depreciation, and in any event, not less than the full original indebtedness of the Borrower. Said insurance policy shall name Lender as loss payee, and in addition, shall contain a standard mortgage endorsement waiving any breach of warranty by

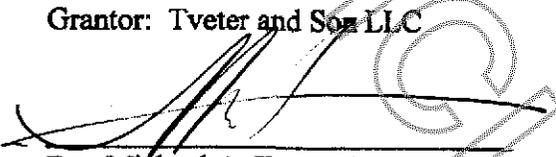
Borrower. Upon request by Lender, such coverage shall be replaced by an extended coverage "all-risk" replacement casualty policy.

13. Diligent Completion. The Grantor hereunder agrees to diligently pursue completion of the construction work upon the subject premises once the same is commenced and to engage in all reasonable acts to protect the collateral from waste and vandalism.

14. Granting of Consents. The Beneficiary and its representatives shall not unreasonably withhold their consents or approvals to any matters requiring approval by them.

Read and Approved on the 27th day of April, 2017, by:

Grantor: Tveter and Son LLC


By: Michael A. Tveter, Manager/Member

Beneficiary: KKAR Enterprises, L.L.C.


Jim Grenz, Member


W. Kay Grenz, Member