

RECORDING REQUESTED BY, AND
AFTER RECORDING RETURN TO:

Magnolia Capital Partners LLC
12131 113th Ave. NE Suite 201
Kirkland, WA 98034

Grantor: Paul Selsor and Deanna Selsor, a married couple

Grantee #1 (trustee under deed of trust): Reconveyance Professionals, Inc.

Grantee #2 (beneficiary under deed of trust): Magnolia Capital Partners LLC

Abbreviated Legal Description: Lot 148, Nookachamp Hills PUD Ph. 11B.

(Full legal description on Exhibit A)

Assessor's tax parcel no(s): 4868-000-148-0000, P123241

Land Title and Escrow 01-166244-OE

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

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Deed of Trust") is made this **9th day of October 2018**, between **Paul Selsor and Deanna Selsor, a married couple ("Grantor")**, whose address is **423 Sterling Street Sedro-Woolley, WA 98284**, as grantor, **Reconveyance Professionals, Inc. ("Trustee")**, the address of which is **3710 168th St. NE Suite B-201 Arlington, WA 98223** as trustee, and **Magnolia Capital Partners LLC, a Washington limited liability company ("Beneficiary")**, the address of which is **12131 113th Ave NE, Suite 201 Kirkland, WA 98034** as beneficiary.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby grants, sells and conveys to Trustee and its successors and assigns in trust, with power of sale, all of Grantor's right, title and interest in and to the property in **Skagit** County Washington legally described on attached **Exhibit A** (the "**Property**"), whether now existing or hereafter acquired, together with the following, (all of which shall be deemed included in the "Property"):

(a) All land lying in streets and roads adjoining the Property, and all access rights and easements pertaining to the Property.

(b) All the lands, tenements, privileges, reversions, remainders, irrigation and water rights and stock, oil and gas rights, royalties, minerals and mineral rights, hereditaments and appurtenances belonging or in any way pertaining to the Property.

(c) All buildings, structures and other improvements now or hereafter erected on the Property, and all facilities, fixtures, machinery, apparatus, installations, equipment, furniture and other properties of whatsoever nature (including without limitation all heating, ventilating, air conditioning, plumbing and electrical equipment, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves and other appliances, attached cabinets, partitions, rugs, carpets and draperies, all building materials and supplies and all construction forms and equipment), now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to or used in connection with the Property shall be, remain or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, engineering reports and other work products relating to the construction of the existing or any future improvements on the Property, any and all rights of Grantor in, to or under any architect's contracts or construction contracts relating to the construction of the existing or any future improvements on the Property, and any performance and/or payment bonds issued in connection therewith.

(d) All rents, issues and profits of the Property, all existing and future leases of the Property (including extensions, renewals and subleases), all agreements for use and occupancy of the Property (all such leases and agreements whether written or oral, are hereafter referred to as the "Leases"), and all guaranties of lessees' performance under the Leases, together with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Property including maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Property, all proceeds payable as a result of a lessee's exercise of an option to purchase the Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any right and claims of any kind which Grantor may have against any lessee under the Leases or any occupants of the Property (all of the above are hereafter collectively referred to as the "Rents").

(e) All compensation, awards, damages, rights of action and proceeds (including insurance proceeds and any interest on any of the foregoing) arising out of or relating to a taking or damaging of the Property by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake or other casualty, injury or decrease in the value of the Property; all returned premiums or other payments on any insurance policies pertaining to the Property and any refunds or rebates of taxes or assessments on the Property.

None of the Property is presently, or will during the term of this Deed of Trust be, used principally or at all for agricultural or farming purposes. The loan secured by this Deed of Trust is a "commercial loan" as that term is used in RCW Ch. 61.24.

THIS DEED OF TRUST IS GIVEN AS SECURITY FOR THE FOLLOWING OBLIGATIONS:

(a) Payment of the sum of **Three Hundred Nineteen Thousand Five Hundred and 00/100 Dollars (\$319,500.00)**, 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 renewals, modifications or extensions thereof;

(b) Payment of all expenditures made by Beneficiary or Trustee in preserving or protecting the Property or as a consequence of any default under this Deed of Trust or any other Loan Document (as hereinafter defined); and

(c) Performance of each agreement, term and condition set forth or incorporated by reference in the Loan Documents unless performance of such agreement, term or condition is specifically provided to not be secured by this Deed of Trust.

The term "**Loan Documents**" shall mean this Deed of Trust, the Note, and any other document relating to the loan which is evidenced by the Note (the "**Loan**"). The above notwithstanding, this Deed of Trust does not secure the following: (i) any guaranty entered into in connection with the Loan; (ii) The Hazardous Substance Warranty and Indemnity Agreement ("**Environmental Indemnity**") entered into in connection with the Loan; or (iii) any provision of any Loan Document that would be considered the "substantial equivalent" of the Environmental Indemnity for purposes of RCW Ch. 61.24.

COVENANTS: Grantor covenants and agrees as follows:

1. To keep the Property in good condition and repair; to permit no waste of the Property; to restore promptly any building, structure, or improvement on the Property which may be damaged or destroyed (regardless of whether insurance proceeds are available for this purpose); and to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the Property. Grantor shall not demolish any existing improvements on the Property or modify any structural or mechanical elements of the improvements on the Property without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld. And if Grantor undertakes any alterations or renovations to the Property or the improvements thereon, and regardless of whether Beneficiary's permission is required or obtained, Grantor shall complete the alterations or renovations in a timely manner and free and clear of liens.

2. To pay before delinquent all lawful taxes and assessments upon the Property; to keep the Property free and clear of all other charges, liens, or encumbrances impairing the security of this Deed of Trust;

3. To keep all buildings now or hereafter erected on the Property continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor(s). Settlement of any insurance claim by Grantor in excess of Five Thousand Dollars (\$5,000) shall require Beneficiary's prior written consent. The amount collected under any insurance policy may be applied upon any indebtedness secured by this Deed of Trust in such order as the Beneficiary shall determine, or at Beneficiary's sole option, made available to Grantor to pay for repair work under such disbursement conditions as Beneficiary may see fit to impose. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor(s) in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured by this Deed of Trust and Trustee's and attorney's fees actually incurred, as provided by statute.

6. That, in the event Grantor(s) fails to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the Property, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the Note, shall be added to and become a part of the debt secured in this Deed of Trust.

7. It shall be an Event of Default under this Deed of Trust if: (i) the Property or any interest therein is sold or transferred; (ii) the Property is further encumbered (other than pursuant to this Deed of Trust); or (iii) if Grantor is not a natural person, more than a 25% interest in Grantor is sold or transferred, or any interest in Grantor is encumbered, or the day to day operation and control of Grantor changes in any material respect.

8. If the improvements on the Property consist of a single family residence, Grantor shall not enter into any lease of the Property for a term longer than Twelve (12) months without the prior written consent of Beneficiary. If the improvements on the Property consist of commercial space, Grantor shall not enter into any lease of the Property: (a) for a term of more than One (1) year (including extensions) or containing an option to purchase the Property; (b) requiring any landlord contribution for tenant improvements or other costs, or providing for more than two months free rent; (c) to an affiliate of the Borrower or Guarantor; or (d) otherwise not on arm's length and market terms, without the prior written consent of Beneficiary, which consent may be conditioned, among other things, on Beneficiary's receipt of an estoppel certificate and a subordination, attornment and nondisturbance agreement from the tenant in form acceptable to Beneficiary. Grantor also shall not modify or terminate any lease for more than Fifty (50) square feet of rentable area without the prior written consent of Beneficiary which consent may be conditioned, among other things, on any termination payments being placed into a reserve account

which is controlled by Beneficiary and used for the sole purpose of paying future leasing and tenant improvement costs for vacant space at the Property.

9. In the event any portion of the Property is taken or damaged in an eminent domain proceeding, Beneficiary shall be entitled to participate in any settlement discussions or court proceedings and approve any settlement with the condemning authority. The entire amount of the award or settlement or such portion as may be necessary to fully satisfy the obligation secured by this Deed of Trust shall be paid to Beneficiary to be applied to said obligation.

10. By accepting payment of any sum secured by this Deed of Trust after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

11. The Trustee shall reconvey all or any part of the Property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor(s) and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

12. Upon default by Grantor(s) in the payment of any indebtedness secured by this Deed of Trust or in the performance of any agreement contained in this Deed of Trust, or upon the occurrence of any other default under the Note or any other Loan Document (each, an "**Event of Default**") all sums secured by this Deed of Trust shall immediately become due and payable in full at the option of the Beneficiary. In addition, Beneficiary may exercise the following remedies in addition to all other remedies permitted by applicable law: (i) foreclose this Deed of Trust judicially, in the same manner as a mortgage; (ii) cause Trustee to sell the Property pursuant to the Trustee's power of sale and the provisions of the Washington Deed of Trust Act, RCW Ch. 61.24, as now existing or hereafter amended; (iii) sue on the Note or any guarantys in accordance with applicable law; and (iv) to the extent permitted by law, seek a deficiency against Grantor or any guarantors following either a judicial foreclosure or a non-judicial foreclosure pursuant to the exercise of the Trustee's power of sale.

13. The procedure for exercise of the Trustee's power of sale shall be as follows: Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law. Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, as provided by statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property which may be personal property Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the Uniform Commercial Code as adopted and amended by the State of Washington (the "**UCC**").

Whenever notice is permitted or required hereunder or under the UCC, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or Beneficiary, may purchase at such sale. After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof not then repaid, with accrued interest at the Default Rate of interest specified in the Note; all other sums then secured hereby; and the remainder, if any, to the clerk of the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

14. The foreclosure of this Deed of Trust or sale by Trustee of the Property through the exercise of its power of sale granted hereunder shall not preclude or impair any action to collect or enforce any obligation of Grantor or any guarantor or other party liable for any of the obligations secured by this Deed of Trust, or the substantial equivalent of such obligation, which obligation is not secured by this Deed of Trust including, without limitation, the obligations of Grantor and the other signatories under the Environmental Indemnity and the obligations of each such guarantor under its guaranty. All of such obligations (and all substantial equivalents of such obligations) shall constitute separate recourse obligations of Grantor and each such guarantor or other party and shall not be deemed to be evidenced by the Note or secured by this Deed of Trust.

15. In the event of the absence, death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor(s), Trustee, or Beneficiary shall be a party.

16. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on his/her/their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

17. This Deed of Trust shall be deemed a security agreement and a fixture filing, as defined in the UCC. The remedies for any violation of the covenants, terms and conditions of the agreements contained herein shall be as prescribed (i) herein, or (ii) by general law, or (iii) by the specific statutory consequences now or hereafter enacted, and specified in the UCC, all at Beneficiary's sole election. Grantor and Beneficiary agree that the filing of any financing statement in the records normally having to do with personal property shall not be construed as impairing the hereby stated intention of the parties that everything used in connection with the construction, management, maintenance and production of income from the Property together with all other rights and property described herein and comprising the secured property shall at all times and for all purposes in all proceedings, both legal and equitable, be regarded as part of the Property, whether physically attached or specifically identified or not.

18. As further security for the payment of all indebtedness and performance of all obligations secured hereby, Grantor irrevocably and absolutely assigns to Beneficiary, the Rents, issues, profits and proceeds of contracts of the Property, together with all future Leases, profits and contracts, and any and all extensions, renewals and replacements hereof. However, as long as no default shall exist in any obligation secured hereby, Grantor may collect assigned Rents and profits as the same shall fall due. All Rents or profits receivable from or in respect to the Property which Grantor shall be permitted to collect hereunder shall be received by it in trust to pay the usual and reasonable operating expenses of, and the taxes upon, the Property and the payment of all sums secured hereby. Upon the occurrence of any default in payment of any indebtedness or performance of any obligation secured hereby, all rights of the Grantor to collect and receive Rents and profits shall wholly and immediately terminate without notice, and Beneficiary shall thereafter have the absolute right to all such Rents and profits and the right to collect them directly from the tenants. In addition to, and not in limitation of the foregoing, Beneficiary shall have the right to petition the Court of appropriate jurisdiction for the appointment of a Receiver for the Property and shall have in addition to the rights and powers customarily given to and exercised by such receiver, the right to enter upon and take possession of the Property and manage the same with all rights and options in regard thereto available to Grantor, and the right to market, lease and/or sell the Property. Grantor expressly waives the posting of bond by such receiver, and waives any challenge to a proposed receiver based on affiliation with Beneficiary.

19. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Washington.

20. Grantor shall reimburse Trustee and Beneficiary, on demand, for all costs and expenses incurred in enforcing or interpreting their rights and remedies under this Deed of Trust including attorney's fees whether or not suit is brought, in both trial and appellate courts, and in any bankruptcy or reorganization proceeding. All sums owing under this Section shall constitute a portion of the indebtedness secured by this Deed of Trust and shall bear interest at the rate applicable under the Note.

COUNTERPART: THIS DOCUMENT MAY BE SIGNED IN COUNTERPARTS, WHICH TOGETHER SHALL HAVE THE SAME FORCE AND EFFECT AS A SINGLE ORIGINAL EXECUTED BY ALL PARTIES.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

DATED as of the day and year first above written.

GRANTOR: Paul Selsor and Deanna Selsor, a married couple

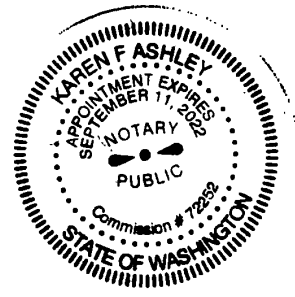
By: [Signature]
Name: Paul Selsor

STATE OF Washington
COUNTY OF Snohomish

ss.

I certify that I know or have satisfactory evidence that Paul Selsor is the person who appeared before me, and on oath stated that said individual signed this instrument and that said individual was authorized to do so in the capacity stated below and acknowledged to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: October 9, 2018



Karen Ashley
(Signature of Notary)
Karen Ashley
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing at Sedro-Woolley
My appointment expires 9-11-2022

COUNTERPART: THIS DOCUMENT MAY BE SIGNED IN COUNTERPARTS, WHICH TOGETHER SHALL HAVE THE SAME FORCE AND EFFECT AS A SINGLE ORIGINAL EXECUTED BY ALL PARTIES.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

DATED as of the day and year first above written.

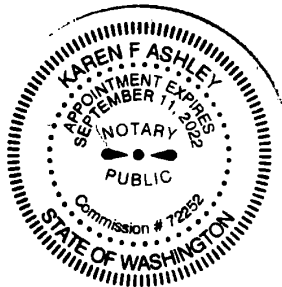
GRANTOR: Paul Selsor and Deanna Selsor, a married couple

By: Deanna Selsor
Name: Deanna Selsor

STATE OF Washington |
COUNTY OF Shagit | ss.

I certify that I know or have satisfactory evidence that **Deanna Selsor** is the person who appeared before me, and on oath stated that said individual signed this instrument and that said individual was authorized to do so in the capacity stated below and acknowledged to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: October 9, 2018



Karen Ashley
(Signature of Notary)

Karen Ashley
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing at Sedro-Woolley
My appointment expires 9-11-2022

Exhibit A

Lot 148, "PLAT OF NOOKACHAMP HILLS PUD PHASE 11B," as recorded on August 23, 2005, under Auditor's File No. 200508230082, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.