

**EXHIBIT A TO THE SETTLEMENT AGREEMENT
PROMISSORY NOTE**

FOR VALUE RECEIVED the City of Auburn ("City") promises to pay to the order of Ronald Ralph (16.667%), Hilltop Investments, LLC (20.833%), Michel P. Stern (20.833%) and North Creek Real Estate Investors, LLC (41.667%) ("Lender"), the principal sum of One Hundred Twenty Thousand Dollars (\$120,000.00) together with interest calculated following the date that the Settlement Agreement is signed by Lender to the date of the sale of the Property.

1. **Definitions.**

- a. **Promissory Note:** This instrument may be referred to as "the Note."
- b. **Holder:** The Holder of the Note is the Lender.
- c. **Property:** This Promissory Note is secured by a first lien Deed of Trust on the Property, recorded on February 15, 2015, under Auditor File No. 20160216002038, having a common address of 11626 SE 270th St. Kent, Washington 98030. Legally described as:

LOT 2, SOUTH BEND, ACCORDING TO THE PLAT THEREOF RECORDED IN
VOLUME 174 OF PLATS, PAGE(S) 30 THROUGH 32, RECORDS OF KING
COUNTY, WASHINGTON
SITUATE IN THE COUNTY OF KING, STATE OF WASHINGTON

2. **Interest Rate.** All interest on the outstanding principal balance of the Loan Amount shall be calculated on the basis of a 30-day month and a year of 360 days and at a rate of 8.50% per annum.

3. **Payoff Loan Amount.** Interest shall accrue from the date the Settlement Agreement is signed to the date of the sale of the property when the entire principal and interest shall be due no later than six months from the date of the execution of this Settlement Agreement ("Maturity Date"). Lender agrees to forbear declaring the Deed of Trust in default until the Maturity Date. Interest from the date of the Settlement Agreement until the first day of the next month shall be prorated on a per diem basis. Any unpaid interest shall be added to the principal of the Note and compounded. The final payoff shall be made payable to Mortgage Equities Inc., the agent of Lender, and sent to PO Box 407 Gig Harbor, WA 98335.

4. **Payoff Deadline.** The City shall have six (6) calendar months from the date of the Lender signing the Settlement Agreement to pay the Payoff Loan amount in full, or if the secured Property is sold before the Maturity Date, the Payoff Loan Amount, and all payments incurred by Lender related to the Deed of Trust shall be disbursed to Lender by escrow at closing. Notwithstanding anything to the contrary herein, interest shall continue to accrue during the processing time until Lender receives the Payoff Loan Amount. The parties reserve the right to mutually negotiate (an) extension(s) of the payoff deadline. If full timely payment is not made under the Note, default interest shall be charged at 18% per annum. All default interest will be added to the principal of the note. Timely payment includes six calendar months plus an additional 4-6 weeks for the City to process a check and deliver it to Mortgage Equities, Inc.

5. **Pre-payment.** This Note may be prepaid in whole or in part, at any time without penalty.

6. **Reconveyance.** The City will pay the Lender two hundred thirty dollars (\$230) for any request for reconveyance and the processing of the reconveyance.

7. **Commercial Purpose.** This Note is not primarily for personal, family or household purposes. This Note is for business, commercial and investment purposes. It is the specific intent of the undersigned and the Holder that this Note bear a lawful rate of interest, and if any court of competent jurisdiction should determine that the rate provided for in the Note exceeds that which is statutorily permitted for the type of transaction evidenced by the Note, the interest rate shall be reduced to the highest rate permitted by applicable law, with any excess interest previously collected applied against the principal, or if the principal has been fully repaid, returned to the City on demand.

8. **No Waiver.** The waiver by the Holder of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of payments hereunder by the Holder shall not be deemed to be a waiver of any preceding breach by the undersigned of any term, covenant or condition of the Note other than the failure of the undersigned to make the particular payment so accepted, regardless of Holder's knowledge of such preceding breach at the time of the acceptance of such payment. The acceptance of a partial payment by the Holder shall not be deemed a waiver.

9. **Attorneys' fees.** In the event litigation is instituted, declaratory or otherwise in connection with or arising out of the Note, the prevailing party will be awarded the costs thereof and attorneys' fees actually incurred which may be determined and fixed by a court as part of the judgment.

- a. The parties agree that all pre-litigation consultation fees incurred by counsel for the Holder of the note to the date of the Settlement Agreement will be paid according to paragraph 4.5 of the Settlement Agreement.
- b. The parties further agree that all post-litigation consultation fees incurred by counsel for the Holder of the Note from the date of the Settlement Agreement to the date of the reconveyance will be the responsibility of the City. This amount is not to exceed \$1,000 and may be increased, if necessary, upon prior written agreement of the Parties.

10. **Jurisdiction.** This Note shall be construed under the laws of the State of Washington and the undersigned agrees that they will be subject to the jurisdiction of the State of Washington and that if any litigation ensues in connection with or arising out of the Note, such litigation shall take place in the Superior Court of King County for the State of Washington.

11. **Waiver of jury trial.** The Parties irrevocably waive any right to a trial by jury.

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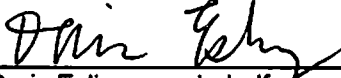
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NOTICE: ORAL AGREEMENTS, PROMISES OR COMMITMENTS TO LEND MONEY, TO EXTEND CREDIT, TO MODIFY OR AMEND THE TERMS UNDER WHICH MONEY WAS LENT OR CREDIT WAS EXTENDED, TO RELEASE ANY GUARANTOR TO FORBEAR WITH RESPECT TO THE REPAYMENT OF ANY DEBT OR THE EXERCISE OF ANY REMEDY, OR TO MAKE ANY OTHER FINANCIAL ACCOMMODATION PERTAINING TO A DEBT OR OTHER EXTENSION OF CREDIT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

EXECUTED on the ____ day of October, 2019.

CITY OF AUBURN

Nancy Backus, Mayor



Doris Eslinger on behalf of
Ronald Ralph, Hilltop Investments, LLC,
Michel P. Stern and North Creek Real Estate
Investors, LLC

APPROVED AS TO FORM:

Steven L. Gross, City Attorney