

DEED IN LIEU OF FORECLOSURE AGREEMENT

THIS DEED IN LIEU AGREEMENT (the “Agreement”) is made effective as of August ____, 2023 (the “Effective Date”), by and among the CITY OF WATERTOWN, a Wisconsin municipal corporation (the “City”) and RENEE STERWALT f/k/a ZSA ZSA STERWALT (“Sterwalt”).

RECITALS

- A. Sterwalt is the owner of the real property commonly known as 100 Western Avenue, City of Watertown, in Jefferson County, Wisconsin (the “Property”). In September 2019, Sterwalt rented the Property to Shannon Arenz.
- B. In 2020, following the start of the Covid-19 pandemic, Arenze stopped making payments under the lease for the Property. As a result, Sterwalt fell into arrears on the mortgage on the Property, the insurance policy for the Property and real property taxes, and the payment for water and sewer service provided by the City to the Property.
- C. On April 6, 2022, as a result on the default on the payment of the mortgage loan on the Property, Specialized Loan Servicing LLC, commenced an action in Jefferson County Circuit Court, Case No. 2022CV98, to foreclose its mortgage. On December 8, 2022, the Circuit Court granted a judgment of foreclosure to Specialized Loan Servicing.
- D. On or about December 9, 2022, the Property was largely destroyed by a fire. As a result of the fire, the City’s Building Inspector determined that the principal structure located on the above-described premises is so dilapidated, damaged and out of repair as to be dangerous, unsafe, unsanitary or otherwise unfit for human habitation, occupancy or use.
- E. On March 22, 2023, the City issued a Raze Order for the Property based on its finding that the cost of the necessary repairs for the Property would exceed fifty percent of the current (pre-fire) full assessed value of the Property. The Raze Order was recorded with the Jefferson County Register of Deeds on April 3, 2023, as Document No. 1472676.
- F. Sterwalt is indebted to City for real property taxes, assessments and water and sewer charges relating to the Property, some of which are secured by liens on the Property.
- G. On June 13, 2023, the Circuit Court vacated the judgment of foreclosure relating to the Property based on the parties’ recognition that the Property will have nominal if any value after taking account of the debts relating to the Property, including the expense of razing the Property.
- H. Sterwalt has resided in Alaska since 2019. She does not have the financial means to repair the property or pay the taxes, water and sewer charges and other debts relating to the Property.
- I. **Sterwalt and the City wish to avoid the time and expense of a foreclosure action. Sterwalt recognizes that it could require the City to pursue its rights to seek a foreclosure, and that by proceeding according to this Agreement, Sterwalt will be**

foregoing the right to retain title to the Property by paying the delinquent taxes and assessments relating to the Property.

- J. Sterwalt acknowledges and agrees that no further default nor any other action is required as a prerequisite to the City's exercise of its discretion if it desires to transfer title to the Property pursuant to the terms hereunder, and that the terms and conditions of this Agreement are applicable to the Property.

AGREEMENT

NOW, WHEREFORE, for valuable consideration the receipt of which is acknowledged, Sterwalt and the City agree as follows:

1. **Delivery of Documents.** Within ten (10) business days following the date hereof, Sterwalt shall execute or cause to be executed, as necessary, and deliver to the City a Warranty Deed from Sterwalt, in the form attached as Exhibit A ("**Deed**").
2. **Release from Enforcement of Notes.** Upon, and only upon, the City's receipt of the Deed and a pro forma of the final owner's policy from Knight Barry Title Advantage LLC (including a gap indemnity through the date of the Deed) with regard to the Property, subject only to the Raze Order and liens securing taxes, assessment, water and sewer charges owed to the City, and any other liens or encumbrances which may be acceptable to the City in its sole discretion, then and only then the City will (a) release Sterwalt from liability for the debts owed to the City by Sterwalt. The debts owed to the City will still exist but will be nonrecourse except against the Property.
3. **No Merger of Title and Liens.** The City's interest in the Property after the City's acquisition of title to the Property shall not merge with the interests of the City (specifically, the City's liens on the Property). It is the express intention of each of the parties that such lien interests of the City in the Property shall not merge but be and remain at all times separate and distinct, notwithstanding the acquisition of title by the City. The liens on the Property shall be and remain at all times valid and continuous liens on the Property until and unless released by the City.
4. **Entire Agreement.** This Agreement, including the attached Exhibit, and the documents referred to in this Agreement or executed either concurrently with or pursuant to this Agreement, constitute the entire agreement for the deed in lieu of foreclosure transaction between the parties, and there are no other agreements, understandings, restrictions or warranties or representations among the parties on that subject.
5. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin.
6. **Amendment or Waiver.** Neither this Agreement nor any of the provisions hereof may be changed, waived, discharged or terminated, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.
7. **Voluntary Action.** Sterwalt acknowledges that she has had the opportunity to consult with counsel of her choice. Sterwalt is entering into this Agreement knowingly and voluntarily. Sterwalt recognizes that she could require the City to pursue its legal remedies but has decided nonetheless to proceed with this Agreement.

8. **Counterparts.** This Agreement may be executed in any number of counterparts. Each counterpart, when executed and delivered, will be an original, but all counterparts, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf as of the date set forth above.

CITY OF WATERTOWN, WISCONSIN

By: _____
Name: _____
Title: _____

RENEE STERWALT
f/k/a ZSA ZSA STERWALT

By: _____
Renee Sterwalt

EXHIBIT A
WARRANTY DEED

(ATTACHED)