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When Recorded Return To:

The Washington State Department of Community,
Trade and Economic Development
Housing Finance Unit
906 Columbia Street Southwest
Post Office Box 48300
Olympia, Washington 98504-8300

Attention: Richard Penton, Program Officer

KATHY HILL
SKAGIT COUNTY AUDITOR

99 JUN -4 AM 1:18

RECORDED _____ FILED _____
REQUEST OF _____

9906040086

FIRST AMERICAN TITLE CO.

DEED OF TRUST

58831-1

Grantor (Borrower): Salem Village Limited Partnership

Beneficiary (Lender): Department of Community, Trade, and Economic Development

Grantee (Trustee): First American Title Company of Skagit County

Legal Description (abbreviated): SECTION 8, TOWNSHIP 34, RANGE 4; PORTION GOVERNMENT LOT 7.

Additional legal(s) on attachment known as Exhibit A

Assessor's Tax Parcel ID#: 340408-0-013-0003 340408-0-013-0200

THIS DEED OF TRUST is made this 3rd day of June, 1999, between Salem Village Limited Partnership, a Washington Limited Partnership, whose mailing address is P O Box 2116 MT. Vernon WA 98273 as Grantor ("Grantor"); First American Title Company of Skagit County, whose mailing address is 1301-B Riverside Drive, Mount Vernon, WA. 98273 as Trustee ("Trustee"); and the Washington State Department of Community, Trade, and Economic Development as Beneficiary ("Beneficiary"), whose address is 906 Columbia Street, S.W., P.O. Box 48300, Olympia, Washington 98504-8300.

1. Grant. Grantor hereby bargains, sells and conveys to Trustee in Trust for the benefit of Beneficiary, with power of sale the real property located in Skagit County, Washington described as:

(SEE ATTACHMENT -EXHIBIT A)

according to the plat thereof, recorded in Skagit County Washington, (the "Property") together with all 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, and the rents issues and profits thereof. Said Property is not used principally, or at all, for agricultural or farming purposes.

2. Obligations Secured. This deed of trust is given for the purpose of securing payment in the amount of Two Hundred Twenty Thousand dollars (\$220,000) payable by the Grantor to the Beneficiary evidenced by a Promissory Note between Salem Village and the Washington State Department of Community, Trade and Economic Development dated June 3, 1999 and Housing Finance Unit Contract Number 99-49300-496 between Salem Village and Washington State Department of Community, Trade and Economic Development as now or hereafter amended, securing performance of each term and condition of said Contract and Promissory Note, together with all future advances.

3. Lien Priority. This Deed of Trust shall be in a third lien priority position against the Property.

4. Protection of Security. To protect the security of this Deed of Trust, Grantor covenants and agrees:

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4.1. To keep the Property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, conditions and restrictions affecting the property.

4.2. 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.

4.3. To keep all buildings now or hereafter on the Property continuously insured against loss by fire or other hazards in an amount not less than the replacement cost of the Property. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, and subject to the rights of the Beneficiary or beneficiaries of any senior deed of trust, all rights of Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4.4. 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 proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

4.5. 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 hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

4.6. Should Grantor fail 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 shall be added to and become a part of the debt secured by this Deed of Trust.

5. General Conditions. The parties hereto agree that:

5.1. In the event any portion of the Property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy this obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

5.2. By accepting payment of any sum secured hereby 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.

5.3. 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 and the Beneficiary, or upon satisfaction of the obligations secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

5.4. Power of Sale. Pursuant to Chapter 61.24 of the Revised Codes of Washington and upon default by Grantor without timely cure and after written notice of thirty (30) days in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable. In such event and upon written notice of Beneficiary, the property shall be sold, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person may bid at the Trustee's sale. Subject to the rights of the beneficiary or beneficiaries of any senior deed of trust, the proceeds of the sale shall be applied as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the person or persons entitled thereto.

5.5. A Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor may have acquired thereafter. Trustee's deed shall recite the facts showing that the

sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of a bona fide purchaser for value.

5.6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

5.7. Beneficiary may at any time appoint or discharge the Trustee.

5.8. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto and their successors and assigns. The terms "Grantor," "Trustee," and "Beneficiary" include their successors and assigns.

6. **Acceleration.** Except as set forth in the HFU Contract, If without Beneficiary's prior written consent, all or any part of the Property or any interest in it is sold, conveyed, transferred, encumbered, or the Property is not used as required by the Low Income Housing Covenant Agreement between Beneficiary and Grantor, Beneficiary may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Beneficiary if exercise is prohibited by federal law as of the date of this Deed of Trust. If Beneficiary exercises this option, Beneficiary shall give Grantor notice of acceleration. The notice shall provide a period of not less than thirty (30) days from the date the notice is delivered or mailed within which Grantor must pay all sums secured by this Deed of Trust. If Grantor fails to pay these sums prior to the expiration of this period, Beneficiary may invoke any remedies permitted by this Deed of Trust without further notice or demand on Grantor.

7. **Non Recourse Obligation.** Any of the provisions herein notwithstanding, neither Grantor, its partners, officers, employees, agents or contractors shall not have any personal liability for repayment of the loan other than the Property, the rents therefrom and all other collateral under the Deed of Trust applied to the obligations under the loan. Provided however, that nothing shall diminish the such parties liability for changes or deficiencies resulting from theft, waste, fraud, material misrepresentation and misuse of rents.

IN WITNESS HEREOF, Salem Village Limited Partnership has executed this Deed of Trust on the
3rd day of June, 1999.

SALEM VILLAGE LIMITED PARTNERSHIP, A Washington Limited Partnership

By Salem Village, a Washington nonprofit corporation, general partner

By: 

Print Name:

Kent Haberly

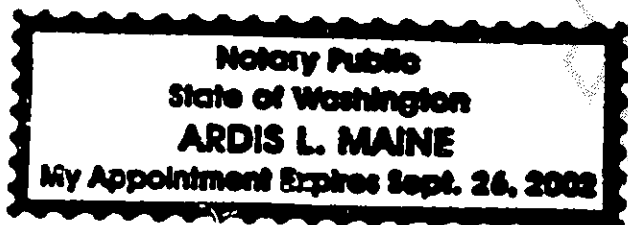
Title:

President

STATE OF WASHINGTON)
COUNTY OF SKAGIT) ss.

On this day personally appeared before me, Kent Haberly, known to be the President of Salem Village, general partner of Salem Village Limited Partnership the corporation that executed the within instrument and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute the same.

DATED: June 3, 1999



Notary Public Ardis L. Maine
My appointment expires 9-26-02
residing in the county of King

Signature: Ardis L. Maine

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REQUEST FOR FULL RECONVEYANCE

**TO BE USED ONLY WHEN ALL OBLIGATIONS HAVE BEEN PAID AND ALL
DUTIES PERFORMED UNDER THIS DEED OF TRUST.**

TO: TRUSTEE:

The undersigned as the party entitled to the performance, benefits, duties, and payments under the Housing Finance Unit Contract between Grantor and Beneficiary which is secured by this Deed of Trust and other legal documents.

The obligations thus secured have been fully paid, duties performed and satisfied, and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, including Contingent Interest, to cancel evidence of indebtedness secured by said Deed of Trust delivered to you with said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you hereunder.

Dated

Name

Title

ATTACHMENT EXHIBIT A

LEGAL DESCRIPTION FOR: Salem Village

Reference: Conveyance from Lot 3 to Lot 2 of Short Plat No. MV-8-94

LOT 2 of Short Plat No. MV-8-94 AND
That portion of Lot 3, of Short Plat No. MV-8-94, as approved July 1, 1997, and recorded July 1, 1997, in Book 13 of Short Plats, pages 17 and 18, records of Skagit County, Washington, being in a portion of Government Lot 7, Section 8, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Northeast corner of said Lot 3; thence North $87^{\circ} 57' 29''$ West, along the North line of said Lot 3, a distance of 53.24 feet to an angle point in said Lot 3; thence South $21^{\circ} 12' 42''$ West, along the boundary of said Lot 3, a distance of 57.20 feet; thence South $0^{\circ} 11' 21''$ West, parallel with the East line of said Lot 3, a distance of 475.65 feet to a point on the North line of a 60.00-foot wide utility and access easement as shown on said short plat, said point lies North $87^{\circ} 57' 29''$ West, 53.64 feet from the Southwest corner of Lot 2 of said short plat; thence South $87^{\circ} 57' 29''$ East, along said North line, 53.64 feet to said Southwest corner; thence North $0^{\circ} 11' 21''$ East, along said East line of Lot 3, also being the West line of said Lot 2, a distance of 229.71 feet to an angle point in said Lot 3, said angle point also being the Northwest corner of said Lot 2; thence South $87^{\circ} 57' 29''$ East, along the North line of said Lot 2, a distance of 20.14 feet to an angle point in said Lot 3; thence North $0^{\circ} 11' 21''$ East, along said East line of Lot 3, a distance of 300.00 feet to the **POINT OF BEGINNING**.

Situate in the County of Skagit, State of Washington.

(Containing approximately 2.4 acres)

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