

Return Address:

Washington Community Reinvestment Association
P.O. Box 2609
Seattle, WA 98111-2609

Loan No. 2-970099



200005260122
Kathy Hill, Skagit County Auditor
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FIRST AMERICAN TITLE CO.

B61129 E

DEED OF TRUST SUBORDINATION AGREEMENT

Reference numbers of related documents:

on page 1 of document 9906040086
200005250015

Grantor(s):

1. WASHINGTON STATE DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
2. SALEM VILLAGE LIMITED PARTNERSHIP
- 3.

etc. additional names on page _____ of document

Grantee(s):

1. Washington Community Reinvestment Association
- 2.
- 3.

etc. additional names on page _____ of document

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P.O. Box 2609
Seattle, WA 98111-2609**

Loan No. 2-970099

DEED OF TRUST SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

The undersigned subordinator and owner agrees as follows:

1. WASHINGTON STATE DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT, referred to herein as "subordinator", is the owner and holder of a mortgage dated June 3, 1999, executed by SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership which is recorded under Auditor's File No. 9906040086, records of Skagit County, Washington.
2. WASHINGTON COMMUNITY REINVESTMENT ASSOCIATION, referred to herein as "lender", is the owner and holder of a mortgage dated May 25, 2000, executed by SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership, which is recorded under Auditor's File No. 20000525045 records of Skagit County, Washington.
3. SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership referred to herein as "owner", is the owner of all the real property described in the mortgage identified above in Paragraph 2.
4. In consideration of benefits to "subordinator" from "owner", receipt and sufficiency of which is hereby acknowledged, and to induce "lender" to advance funds under its mortgage and all agreements in connection therewith, the "subordinator" does hereby subordinate the lien of its mortgage identified in Paragraph 1 above to the lien of "lender's" mortgage, identified in Paragraph 2 and any advances or charges made or accruing thereunder, including any extension or renewal thereof. However, pursuant to the Revised Code of Washington 43.185 et. seq., the Department of Community, Trade and Economic Development does not subordinate its covenants running with the land restricting the property to very low income households for the term of the commitment.
5. "Subordinator" acknowledges that, prior to the execution hereof, it has had the opportunity to examine the terms of "lender's" mortgage, note and agreements relating thereto and recognizes that "lender" has no obligation to "subordinator" to advance any funds under its mortgage or see to the application of "lender's" mortgage funds, and any application or use of such funds for purposes other than those provided for in such mortgage, note or agreements shall not defeat the subordination herein made in whole or in part.



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6. It is understood by the parties hereto that "lender" would not make the loan secured by the mortgage in Paragraph 2 without this agreement.
7. This agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of the lien or charge of the first mortgage above mentioned in favor of "lender" and shall supersede and cancel any prior agreements as to such, or any, subordination including, but not limited to, those provisions, if any, contained in the mortgage first above mentioned, which provide for the subordination of the lien or charge thereof to a mortgage or mortgages to be thereafter executed.
8. The heirs, administrators, assigns and successors in interest of the "subordinator" shall be bound by this agreement. Where the word "mortgage" appears herein it shall be considered as "deed of trust", and gender and number of pronouns considered to conform to undersigned.
9. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Executed this 25th day of May, 2000.

BORROWER:

SALEM VILLAGE LIMITED PARTNERSHIP,
a Washington limited partnership

BY: Salem Village,
a Washington nonprofit corporation, its general partner

By:


Kent Haberly, President



SUBORDINATOR:

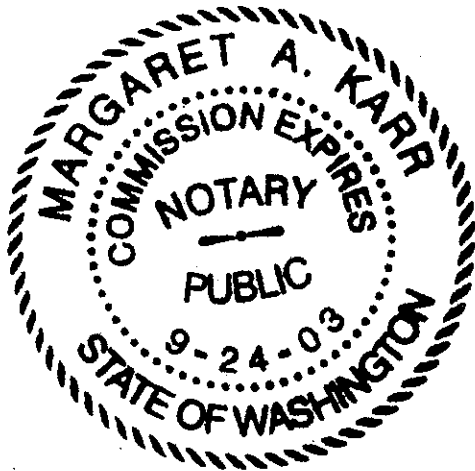
**WASHINGTON STATE DEPARTMENT OF COMMUNITY,
TRADE AND ECONOMIC DEVELOPMENT**

BY: Kate Heimbach 5/24/2000
Name: _____
Title: Asst. Director

NOTARY

STATE OF WASHINGTON)
) ss
COUNTY OF THURSTON)

On this ___ day of May, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kate Heimbach me known to be the Assistant Director of the Washington State Department of Community, Trade and Economic Development, the entity named in and which executed the foregoing instrument, and stated on oath that he/she is authorized to execute the foregoing instrument on behalf of said entity and signed the same as the free and voluntary act and deed of said entity for the uses and purposes therein mentioned.



Signature: Margaret A Karr
Print Name: Margaret A Karr
Notary Public in and for the State of Washington,
residing at: Olympia
My Commission expires: 9-24-03



NOTARY

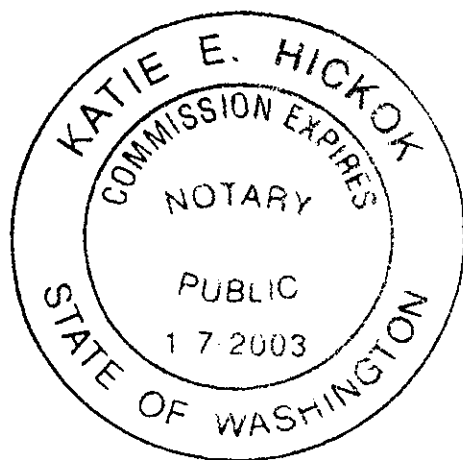
STATE OF WASHINGTON)

) ss.

COUNTY OF Skagit)

On this 18th day of May, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kent Haberly, to me known to be the person who signed as President of SALEM VILLAGE, a Washington nonprofit corporation the corporation acting as general partner of SALEM VILLAGE LIMITED PARTNERSHIP, the limited partnership that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of the corporation as general partner and of the limited partnership for the uses and purposes therein mentioned; and on oath stated that he was duly elected, qualified and acting as said officer of the corporation and that he was authorized to execute the said instrument on behalf of the corporation and that the seal affixed, if any, is the corporate seal of the corporation, and that the corporation was authorized to execute said instrument on behalf of the limited partnership.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.



Katie E. Hickok
(Signature of Notary)

Katie E. Hickok
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of Washington,
residing at Mt. Vernon

My appointment expires: 1-7-2003