

**Return Address**

Washington State Department of Community  
Trade and Economic Development, Office of  
Community Development  
906 Columbia Street, SW  
Post Office Box 48350  
Olympia, Washington 98504-8350  
Attention: : Bonnie L. Scott, (360) 725-2940



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CHICAGO TITLE CO. *022594✓*

**Document Title(s)** (or transactions contained therein):

1. Priority and Subordination Agreement
- 2.
- 3.

**Reference Number(s)** of Documents assigned or released: *8703090003*  
(on page 2 of document) *200309170208; 20030917 209*

**Grantor(s)** (Last name first, then first name and initials):

1. The United States of America, acting through the Rural Housing Service of the United States Department of Agriculture
- 2.
- 3.

☐ Additional names on page \_\_\_ of document.

**Grantee(s)** (Last name first, then first name and initials):

1. State of Washington Department of Community Trade and Economic Development, Office of Community Development

☐ Additional names on page \_\_\_ of document.

**Legal description** (abbreviated: i.e. lot, block, plat or section, township, range)

Lots 13 through 23, Block 2, FRITSCH'S ADDITION TO BURLINGTON

☒ Full legal description is on Exhibit A of document.

**Assessor's Property Tax Parcel/Account Number(s)**

4084-002-023-0000

## PRIORITY AND SUBORDINATION AGREEMENT

THIS PRIORITY AND SUBORDINATION AGREEMENT (the "Agreement"), dated September 17, 2003, is by and between the UNITED STATES OF AMERICA, acting through the RURAL HOUSING SERVICE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE (the "Government") and the STATE OF WASHINGTON, DEPARTMENT OF COMMUNITY TRADE AND ECONOMIC DEVELOPMENT, OFFICE OF COMMUNITY DEVELOPMENT (the "State").

WHEREAS, the Government is the owner and holder of that certain Deed of Trust dated the 9<sup>th</sup> day of March, 1987, recorded under Skagit County recording number 8703090003, securing a loan in the original principal amount of \$760,000.00 (the "Existing Government Deed of Trust");

WHEREAS, the Government has agreed to loan the additional principal sum of \$320,000.00 to Mercy Properties Washington III LLC, a Washington limited liability company ("Borrower") with interest at the per annum rate not to exceed five and 37.5/100ths percent (5.375%), except in the event of a default, for the following purposes only: acquiring the property, renovating the affordable housing project located on the property, funding a replacement reserve, and paying costs and fees associated with loan, such additional loan secured by that certain Deed of Trust dated the 17<sup>th</sup> day of September 2003 recorded under Skagit County recording number 200309170209 (the "New Government Deed of Trust");

WHEREAS, the State has agreed to loan the principal sum of \$25,000 to Borrower a portion of which will be used for the purpose of acquiring and rehabilitating the property located at 535 North Pine Street, Burlington, Washington 98233;

WHEREAS, in conjunction with the State Loan, the Borrower has executed that certain Low Income Housing Covenant Agreements dated the 5<sup>th</sup> day of September, 2003, recorded under Skagit County recording number 200309170208 (the "State Covenant").

NOW THEREFORE, in consideration of parties' agreements to make the loans referenced herein and subject to the terms and conditions set forth below, the Government and the State hereby agree as follows:

1. Regardless of the time each parties' interest in the Property was or shall be created or recorded, such interests have and shall have the following priorities:

- i) State Covenant:
- ii) Existing Government Deed of Trust; and
- iii) New Government Deed of Trust.

SUBORDINATION BY THE GOVERNMENT  
[/Subord Agmt-No Bank Debt-Villa Kathleen]



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2. The Government agrees to and does subordinate its security instruments to the liens of the Regulatory Agreement and State Covenant..

3. The parties further agree as follows:

(a) Any notice to be given by either party to the other shall be delivered in person or deposited in the United States mail, duly certified, with postage prepaid, and addressed to the party for whom intended.

(b) Each of the terms, covenants and conditions of this subordination shall extend to and be binding on the assigns of each party to this agreement.



IN WITNESS WHEREOF, the parties hereto have executed this Priority and Subordination Agreement on this 11 day of September, 2003.

UNITED STATES OF AMERICA, acting through  
UNITED STATES DEPARTMENT OF  
AGRICULTURE, RURAL HOUSING SERVICE

By

  
Name: JACKIE J. GLEASON

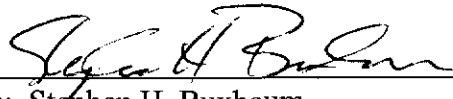
Title: State Director

SUBORDINATION BY THE GOVERNMENT



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

By   
Name: Stephen H. Buxbaum  
Title: Assistant Director, Housing Services  
Division \_\_\_\_\_

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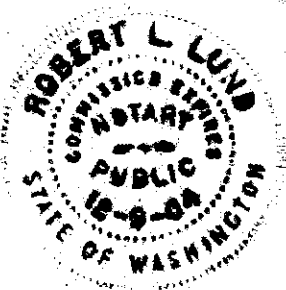
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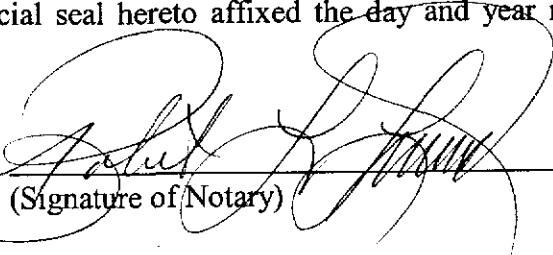
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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF THURSTON )

On this 11 day of September, 2003, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Jackie J. Gleason, to me known to be State Director, Rural Development, United States Department of Agriculture, and the person(s) described in and who executed the foregoing Priority and Subordination Agreement, and acknowledged he executed the same as his ~~the~~ free act and deed.

GIVEN UNDER my hand and official seal hereto affixed the day and year in this certificate first above written.



  
(Signature of Notary)

Robert L. Lund  
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State  
of Washington, residing at Tacoma.  
My appointment expires: 12-9-2004.

SUBORDINATION BY THE GOVERNMENT

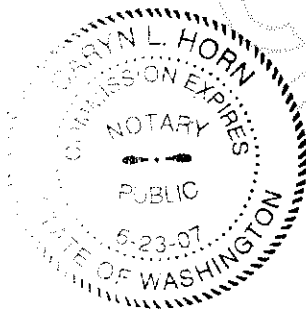


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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF THURSTON )

On this 9<sup>th</sup> day of SEPTEMBER, 2003, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared STEPHEN H. BUXBAUM, to me known to be the Assistant Director, Housing Services Division, State of Washington Department of Community Trade and Economic Development, Office of Community Development, and the person(s) described in and who executed the foregoing Priority and Subordination Agreement, and acknowledged he executed the same as his the free act and deed.

GIVEN UNDER my hand and official seal hereto affixed the day and year in this certificate first above written.



Carolyn L. Horn  
(Signature of Notary)

CAROLYN L. HORN  
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State  
of WASHINGTON, residing at OLYMPIA.  
My appointment expires: 6/23/07.


## **EXHIBIT A**

### **Legal Description of Property**

Lots 13 through 23, Block 2, Fritsch's Addition to Burlington, according to the plat thereof recorded in Volume 3 of Plats, Page 78, records of Skagit County, Washington.

Situated in Skagit County, Washington

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[/Subord Agmt-No Bank Debt-Villa Kathleen]

  
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