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Skagit County Auditor

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When Recorded Return To:

The Washington State Department of Community,
Trade and Economic Development
Housing Trust Fund
906 Columbia Street Southwest
Post Office Box 42525
Olympia, Washington 98504-2525

Attention: Deanna Tabor 360 725-2976

114498-PA

LAND TITLE OF SKAGIT COUNTY

DEED OF TRUST

Grantor (Borrower): The Wilson Hotel Housing LLC
Beneficiary (Lender): Department of Community, Trade, and Economic Development
Grantee (Trustee): Pacific Northwest Title
Legal Description (abbreviated): ANACORTES, LOTS 1,2,3, AND 4; EXCEPT THE WEST 20 FEET OF BLOCK 4, BLOCK 37
Assessor's Tax Parcel ID#: P55087
Contract Number: 05-49300-002

THIS DEED OF TRUST is made this 18th day of November, 2004, between The Wilson Hotel Housing LLC, a Washington limited liability company, whose mailing address is 719 Q Avenue, Anacortes, Washington 98122 as Grantor ("Grantor"); Pacific Northwest Title, whose mailing address is 215 Columbia Street, Seattle, Washington 98104-1151 as Trustee ("Trustee"); and the Washington State Department of Community, Trade, and Economic Development, or its successor agency, as Beneficiary ("Beneficiary"), whose address is 906 Columbia Street, S.W., P.O. Box 42525, Olympia, Washington 98504-2525.

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:

Lots 1,2,3, and 4, Block 37, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON", EXCEPT the West 20 feet of said Lot 4. Situate in the City of Anacortes, County of Skagit, State of Washington

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 the following:

- (a) Payment in the amount of \$750,000.00 with interest thereon according to the terms of a Promissory Note (the "Note") of even date herewith, payable by the Anacortes Housing Authority to the Beneficiary, which has been assigned to and assumed by Grantor, including all renewals, modifications and extensions thereof,
- (b) Payment of any further sums advanced or loaned by Beneficiary to Grantor, or any of its successors or assigns with interest as agreed, and
- (c) Performance of each agreement, term and condition set forth in this Deed of Trust and in the Housing Finance Unit Contract Number 05-49300-002 between Anacortes Housing Authority and Beneficiary, their successors or assigns, as now or hereafter amended (the "Contract"), which has been assigned to and assumed by Grantor pursuant to an Assignment, Assumption and Consent Agreement of even date herewith.

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

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

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, subject to the rights of any senior lien-holder. 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:



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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, subject to the rights of any senior lien-holder.

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 otherwise provided for in the 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, executed in conjunction with this Deed of Trust, 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.



WITNESS the hand and seal of the Grantor on the day and year first written above.

The Wilson Hotel Housing LLC, a Washington limited liability company, by the Housing Authority of the City of Anacortes, a public body corporate and politic of the State of Washington, managing member

By: Theresa McCallum

Print Name: Theresa McCallum

Title: MANAGING MEMBER

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Theresa McCallum is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Anacortes Housing Authority, a public body corporate and politic of the State of Washington, to me known to be managing member of The Wilson Hotel Housing LLC, a Washington limited liability company, to be the free and voluntary act and deed of such non-profit, on behalf of such limited liability company for the uses and purposes mentioned in the instrument.

Date: 11-29-04

Karen Zuidema
Notary Public in and for the state of Washington,
residing at Anacortes

My commission expires 9/17/07

Karen Zuidema
Print Name

