

WHEN RECORDED RETURN TO:

Compass Health
4526 Federal Avenue
Everett, Washington 98203-8810
Attention: President and CEO



200712210023
Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY

124250-8

SUBORDINATE DEED OF TRUST

Grantor: Milwaukee Park Apartments Limited Partnership, a Washington limited partnership

Grantee(s): Compass Health

TRUSTEE: LAND TITLE COMPANY OF SKAGIT COUNTY

Legal Description: Ptn. Lots 6, 7 & 8 Blk 9, Riverside Add to Town of Mt. Vernon

Tax Parcel Numbers: 3755-009-006-0204

Reference Nos. ~~200~~ 200712210024

THIS DEED OF TRUST ("Deed of Trust"), is made as of the 12th day of December 2007, among Milwaukee Park Apartments Limited Partnership, a Washington limited partnership ("Grantor"), whose address is 4526 Federal Avenue, Everett, Washington 98203-8810, Land Title Company of Skagit County ("Trustee"), whose address is 111 East George Hopper Road, Burlington, Washington 98233, and Compass Health, a Washington non profit corporation ("Beneficiary"), whose address is 4526 Federal Avenue, Everett, Washington 98203-8810.

Grant. Grantor hereby bargains, sells and conveys to Trustee in Trust for the benefit of Beneficiary, with power of sale, Grantor's interest in the real property located in Skagit County, Washington described on **Exhibit A** hereto (the "Property").

The Property is not used principally for agricultural or farming purposes.

1. Obligations Secured. This Deed of Trust is given for the purpose of securing (A) payment in the amount of up to Seventy Five Thousand and No/100 Dollars (\$75,000) according to the terms of a Promissory Note (the "Note") of even date herewith, payable by Grantor to Beneficiary including all renewals, modifications and extensions thereof.

3. Lien Priority. This Deed of Trust shall be in a subordinate lien priority position against the Property, and shall be subordinate to those items identified in that Priority Agreement recorded under Skagit County recorder number 200712210024.

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.

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 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 of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Grantor shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefore, provided that (a) such proceeds are sufficient to keep the loan in balance and rebuild the Property in a manner that provides adequate security to the Beneficiary for repayment of the loan, or if such proceeds are insufficient to provide adequate security or to keep the loan in balance, then Grantor has funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation

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proceeds for rebuilding under a construction escrow or similar arrangement, and such approval shall not be unreasonably withheld, and (c) no material default then exists under this Deed of Trust or any of the Loan Documents. If the casualty or condemnation affects only part of the Property and total rebuilding is infeasible, then such insurance and/or condemnation proceeds may be used for partial rebuilding and partial repayment of the loan in a manner that provides adequate security to the Beneficiary for repayment of the remaining balance of the loan.

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

5.4 Power of Sale. Pursuant to Chapter 61.24 of the Revised Code of Washington and upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, subject to the notice and cure provisions set forth in the Loan Agreement, 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 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 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.

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6. Low Income Housing Tax Credits.

6.1 Beneficiary acknowledges that the Washington State Housing Finance Commission (the "Credit Agency") has or will allocate to the project to be constructed on the Property (the "Project") low-income housing tax credits ("Tax Credits") pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), and that Borrower and the Credit Agency intend to enter into, or concurrently with the execution and delivery of the Loan Documents are entering into, an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Code, as amended. Beneficiary agrees to subordinate this loan and Beneficiary's rights under the Loan Documents to the relevant provisions of said extended use agreement as required under Section 42 of the Code. This subordination is being made in consideration of the allocation of Tax Credits to the Project financed in part with this loan, absent which the development of the Project would not occur, and this loan would not be made.

6.2 The execution and delivery of the purchase option and/or right of first refusal agreement described in the Partnership Agreement of Grantor (the "Partnership Agreement") shall not constitute a default hereunder or accelerate the maturity of the loan thereunder. Any requisite consent of Beneficiary to (a) the exercise of said purchase option and/or right of first refusal agreement by the project sponsor or its assignee, identified therein, and to (b) the assumption without penalty of the loan obligations by the project sponsor or its assignee and the release of Grantor from such obligations, shall not be unreasonably withheld, conditioned or delayed. Subject to any such consent requirement, the exercise of rights under such purchase option and/or right of first refusal shall not constitute a default under the hereunder or accelerate maturity of the loan. If the purchase option and right of first refusal agreement described in the Partnership Agreement is not exercised and the Project is sold subject to low-income housing use restrictions as contained in an existing regulatory agreement or other recorded covenant, any requisite consent of Beneficiary to said sale, and to the assumption without penalty of the loan obligations by the purchaser and the release of Grantor from such loan obligations, shall not be unreasonably withheld, conditioned or delayed.

6.3 In any approval, consent, or other determination by Beneficiary required hereunde, Beneficiary shall act reasonably and in good faith.

6.4 The withdrawal, removal, and/or replacement of the general partner of Grantor pursuant to the terms of the Partnership Agreement shall not constitute a default hereunder or under the Note, nor require the consent of Beneficiary. In addition, any transfer or assignment of any non general partner interests shall not constitute a default under any of the hereunder nor require the consent of the Beneficiary.



IN WITNESS HEREOF, Grantor has executed this Deed of Trust as of date first set forth above.

Milwaukee Park Apartments Limited Partnership, a Washington limited partnership

By: Compass Health Holdings LLC, a Washington limited liability company, its General Partner

By: Compass Health, a Washington nonprofit corporation, its Managing Member

By: Tom Sebastian
Tom Sebastian, President and CEO

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GRANTOR ACKNOWLEDGMENT

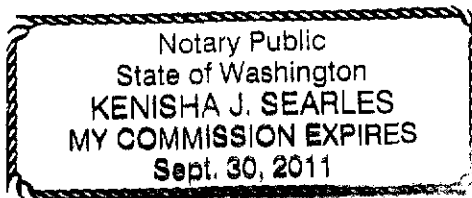
STATE OF WASHINGTON)

COUNTY OF Snohomish)

I certify that I know or have satisfactory evidence that Tom Sebastian is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledge it as the President and CEO of Compass Health, the managing member of Compass Health Holdings LLC, the general partner of Milwaukee Park Apartments Limited Partnership, to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

Dated: December 12, 2007.

Kenisha Searles
(Print Notary Name) Kenisha Searles
Notary Public in and for the State of Washington
residing at Everett
My appointment expires Sept 30, 2011



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EXHIBIT A
DESCRIPTION OF SUBJECT PROPERTY

All that certain real property located in the County of Skagit, State of Washington,
described as follows:

The West **30** feet of Lot 6, and all of Lots 7 and 8, Block 9, "RIVERSIDE ADDITION
TO THE TOWN OF MOUNT VERNON," as per plat recorded in Volume 3 of Plats,
page 24, records of Skagit County, Washington,

EXCEPT the North 19.50 feet thereof.

Situate in the City of Mount Vernon, County of Skagit, State of Washington

Assessor's Property Tax Parcel Account Number: 3755-009-006-0204

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REQUEST FOR FULL RECONVEYANCE

To be used only when all obligations have been paid under the Note and this Deed of Trust.

TO: TRUSTEE

The undersigned is the legal owner and holder of the Note and all other indebtedness secured by the within Deed of Trust. Said Note, together with all other indebtedness secured by said Deed of Trust, has been fully paid 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, to cancel said Note above mentioned and all other evidence of indebtedness secured by said Deed of Trust delivered to you herewith, together with the 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 thereunder.

DATED: _____
Print name: _____

Mail reconveyance to



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