

WHEN RECORDED, RETURN TO:

Callister Nebeker & McCullough  
10 East South Temple, Suite 900  
Salt Lake City, Utah 84133  
Attn: John B. Lindsay



201209200082  
Skagit County Auditor

9/20/2012 Page 1 of 18 2:54PM

**SUBORDINATION AGREEMENT**

(515 Loan)

CHICAGO TITLE

620012545

(Woodgate)

Grantor(s)/Borrower(s): APD Housing Partners 16, LP, a Washington limited partnership

Grantee/Beneficiary: Bonneville Mortgage Company, a Utah corporation, Beneficiary  
Chicago Title Company, Trustee

Legal Description Lot 2, Burlington Short Plat BU-<sup>78 2</sup>~~2-78~~; being a ptn. of Lot 50,  
Abbreviated: Burlington Acreage

Additional legal description is on Exhibit B of this document.

Assessor's Tax Parcel ID #: P62662 and 3867-000-050-~~01904~~ 1904

Reference No. of Documents Released or Assigned: 8003070031, 8007070066  
201209200076, 201209200081

THIS AGREEMENT is entered into this 20<sup>th</sup> day of September, 2012, by and among **BONNEVILLE MORTGAGE COMPANY**, a Utah corporation, whose address is 111 East Broadway, Suite 200, Salt Lake City, Utah 84111 ("Senior Lender"), **THE UNITED STATES OF AMERICA**, acting through the **RURAL HOUSING SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE**, administering programs of the Farmers Home Administration, whose address is 1835 Black Lake Blvd SW, Suite B, Olympia, WA 98512 ("RD"), and APD Housing Partners 16, LP, a Washington limited partnership, whose address is c/o APD Housing Management 16, LLC, 1700 Seventh Avenue, Suite 2000, Seattle, Washington 98101 ("Borrower").

#### Recitals

A. RD previously made two loans to Burlington Associates, a Washington Limited Partnership ("Western"), one in the original principal amount of One Million Seven Thousand One Hundred Dollars (\$1,007,100.00) and the second in the original principal amount of Six Thousand Four Hundred Forty Dollars (\$6,440.00) (Western and Woodgate are collectively the "Original Borrower"). Borrower has assumed all obligations of Original Borrower under the RD Loan through an Assumption Agreement (collectively, the "RD Loan"). Payment of the RD Loan and performance of obligations imposed by the RD Loan Documents are secured by, among other things, the documents more fully described in the attached Exhibit "A" against a 40-unit low income housing multi-family project, located in Burlington, County of Skagit, State of Washington (the "Property"). The Property is more fully described in the attached Exhibit "B".

B. The Senior Lender is about to make a loan (the "First Mortgage Loan") to the Borrower in the original principal amount of One Million Eight Hundred Ninety Thousand Dollars (\$1,890,000.00). The First Mortgage Loan will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing as a first lien (the "First Mortgage") against the Property. The Borrower's obligation to repay the First Mortgage Loan is evidenced by a Multifamily Note dated September 20, 2012 (the "First Mortgage Note"). In connection therewith, Borrower is about to execute and deliver to the Senior Lender the First Mortgage Note, and the First Mortgage which will encumber the Property together with all improvements.

C. The Borrower has requested RD subordinate the RD Mortgage to the First Mortgage.

D. RD will agree to a limited subordination on the terms provided herein.

NOW, THEREFORE, in order to induce RD to subordinate its RD Mortgage to the First Mortgage Lien, and in consideration thereof, the Senior Lender, RD and the Borrower agree as follows:



201209200082  
Skagit County Auditor

9/20/2012 Page 2 of 18 2:54PM

1. Definitions.

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

“Bankruptcy Code” shall mean Title 11 of the United States Code (11 U.S.C. Sec. 101 et seq.), as amended from time to time.

“Borrower” means the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender, who acquires title to the Property after the date of this Agreement.

“Business Day” means any day other than Saturday, Sunday or a Federal holiday.

“Default Notice” means: (a) a copy of the written notice from the Senior Lender to the Borrower stating that a First Mortgage Loan Default has occurred under the First Mortgage Loan; or (b) a copy of the written notice from RD to the Borrower stating that a RD Loan default has occurred under RD Loan. Each Default Notice shall specify the default upon which such Default Notice is based.

“First Mortgage” means the mortgage or deed of trust encumbering the Property as security for performance of the obligation under the First Mortgage Note of the Senior Lender.

“First Mortgage Loan Default” means the occurrence of a default by the Borrower in performing or observing any of the terms, covenants or conditions of the First Mortgage to be performed or observed by it, which continues beyond any applicable period provided by the law or in the First Mortgage for curing the default.

“First Mortgage Loan Documents” means the First Mortgage Note, the First Mortgage Loan, the First Mortgage and all other documents evidencing and securing the note payable to the Senior Lender under the First Mortgage Loan.

“Person” means an individual, estate, trust, partnership, corporation, Limited Liability Company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own or encumber property.

“Senior Lender” means the Person named as such in the first paragraph on page 1 of this Agreement and successors and assigns of the Senior Lender.

“RD Loan Default” means a default by the Borrower in performing or observing any of the terms, covenants or conditions in the RD Loan Documents to be performed or observed by it, which continues beyond any applicable period provided by law or in the RD Loan Documents for curing the default. For purposes of this paragraph, the parties understand that a default under RD Loan refers to preparation of Rural Housing Service’s Problem Case Report, rather than Servicing Letters.



201209200082

Skagit County Auditor

"RD Loan Documents" means the RD Note, the RD Mortgage, including an assumption agreement pursuant to which the Borrower has assumed the obligations imposed by RD Mortgage or Borrower, the RD Restrictive Use Covenant, and any and all other agreements with, or incorporated regulations of, RD pertaining to the Property or the participation of the Borrower in the RD 515 program.

"RD Mortgage" means the mortgage or deed of trust encumbering the Property as security for the RD Loan and securing the RD Note and performance of Borrower under the RD Loan Documents.

"RD Note" means the promissory note given by the Borrower to RD or assumed by the Borrower, which is secured by the RD Loan. The obligation under the RD note includes a requirement that the Borrower use the property for housing very low, low or moderate income people in accordance with RD regulations.

2. Status of RD Mortgage.

The Senior Lender acknowledges that the Property is subject to the lien of the RD Mortgage. The existence of the RD Mortgage or RD Restrictive Use Covenant shall not constitute an event of default under the First Mortgage Loan Documents. The Senior Lender acknowledges that the existence of the RD security interests in rental assistance contracts, rents, accounts and other collateral shall not constitute an event of default under the First Mortgage Loan Documents.

3. Terms of Subordination.

a. Agreement to Subordinate. The Senior Lender and RD agree that: (i) the indebtedness evidenced by the RD Loan Documents is and shall be subordinate in right of payment, in the manner set forth in this Agreement, to the prior payment in full of the principal indebtedness of \$1,890,000.00 secured by the First Mortgage and interest accrued on said principal, and (ii) except as provided in this section 3, the RD Mortgage and the other RD Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage and to such reasonable protective advances customary in the area of the project which may hereafter be made by Senior Lender for the mutual protection of both lenders.

b. Subordination of Subrogation Rights. RD agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or by reason of its exercise of any other right or remedy under the RD Mortgage, it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the First Mortgage, then, in that event, such lien shall be subject and subordinate to the lien of the First Mortgage.

c. Payments Before First Mortgage Loan Default. Until RD receives a notice of a First Mortgage Loan Default from the Senior Lender, RD shall be entitled to retain for its own account all payments made under or pursuant to the RD Loan Documents.



d. Payments After First Mortgage Loan Default. The Borrower agrees that, after it receives notice of a First Mortgage Loan Default, it will not make any payments under or pursuant to the RD Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the RD Mortgage) without the Senior Lender's prior written consent. RD agrees that, after it receives a notice of a First Mortgage Loan Default from the Senior Lender and until such default is cured, RD will deliver to Senior Lender the portion of any payments it receives that is readily identifiable by RD as being generated from non-rental assistance payments.

e. Agreement Not to Commence Bankruptcy Proceeding. RD agrees that during the term of this Agreement it will not commence, or join with any other creditor in commencing any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender's prior written consent.

4. Default under RD Loan Documents.

a. Notice of Default and Cure Rights. RD shall deliver to the Senior Lender a notice of RD Loan Default within five Business Days in each case where RD has given a notice of RD Loan Default to the Borrower. The Senior Lender shall have the right, but not the obligation, to cure any RD Loan Default within 60 days following the date of such notice; provided, however that RD shall be entitled, during such 60-day period, to continue to pursue its rights and remedies under the RD Loan Documents. All amounts paid by the Senior Lender in accordance with the First Mortgage Loan Documents to cure a RD Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the First Mortgage. Failure of RD to send a notice of RD Loan Default to the Senior Lender shall not prevent the exercise of RD's rights and remedies under the RD Loan Documents, subject to the provisions of this Agreement.

b. RD's Exercise of Remedies after Notice to Senior Lender. If an RD Loan Default occurs and is continuing, RD agrees to notify the Senior Lender, in writing, of its intent to commence foreclosure proceedings with respect to the Property under RD Loan Documents or exercise any other rights or remedies it may have under RD Loan Documents, including, but not limited to accelerating the RD Loan, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder unless and until it has given the Senior Lender at least 60 days prior written notice; during such 60 day period, however, RD shall be entitled to exercise and enforce all other rights and remedies available to RD under RD Loan Documents and/or under applicable laws, including without limitation, rights to enforce covenants and agreements of the Borrower relating to income, rent, or affordability restrictions including the imposition of civil monetary penalties.

5. Default under First Mortgage Loan Documents.

a. Notice of Default and Cure Rights. The Senior Lender shall deliver to RD a default notice within five Business Days in each case where the Senior Lender has given a notice of First Mortgage Loan Default to the Borrower. RD shall have the right, but not the



obligation, to cure any such monetary First Mortgage Loan Default within 30 days following the date of such notice; provided, however, that the Senior Lender shall be entitled during such 30-day period to continue to pursue its remedies under the First Mortgage Loan Documents. RD may have up to 60 days from the date of the notice of First Mortgage Loan default to cure a non-monetary default. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Property, or Senior Lender's secured position relative to the Property, as determined by Senior Lender in its sole discretion, then Senior Lender may exercise during such 60-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by RD to the Senior Lender to cure a First Mortgage Loan Default shall be deemed to have been advanced by RD pursuant to, and shall be secured by the lien of, the RD Mortgage. Senior Lender shall provide RD with at least 30 days notice prior to initiating a foreclosure action.

6. Conflict.

The Borrower, the Senior Lender and RD each agrees that, in the event of any conflict or inconsistency between the terms of the First Mortgage Loan Documents, RD Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and RD in the Property; (b) the timing of the exercise of remedies by the Senior Lender and RD under the First Mortgage and RD Mortgage, respectively; and (c) solely as between the Senior Lender and RD, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and RD have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to extend time to cure any First Mortgage Loan Default or RD Loan Default, as the case may be, give the Borrower the right to notice of any First Mortgage Loan Default or RD Loan Default, as the case may be other than that, if any, provided, under the First Mortgage Loan Documents or RD Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or RD.

In the event a conflict arises between the First Mortgage Loan Documents and the RD Loan Documents or between 7 CFR Part 3565 and 7 CFR Part 3560 concerning a program requirement to which Borrower is subject, the most stringent program requirement will prevail, except as otherwise expressly provided under this Agreement.

7. Rights and Obligations of RD under RD Loan Documents and of the Senior Lender under the First Mortgage Loan Documents.

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of RD Loan Documents and First Mortgage Loan Documents covering the same subject matter:

a. Protection of Security Interest. RD shall not, without the prior written consent of the Senior Lender in each instance, which consent shall not be unreasonably withheld, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, RD Loan Documents, except that RD shall have the right, without the consent of the Senior Lender, to: (1) advance funds to cure First Mortgage Loan Defaults pursuant to Section 5 above,



and (2) advance funds pursuant to the RD Mortgage for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Property and (3) cure other defaults by the Borrower under RD Loan Documents. Further, RD may impose any authorized civil monetary penalties permitted under the RD Loan Documents. Senior Lender shall not, without the prior written consent of RD in each instance, which consent shall not be unreasonably withheld, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, First Mortgage Loan Documents, except that Senior Lender shall have the right, without the consent of RD, to: (1) advance funds to cure RD Loan Defaults pursuant to Section 4(a) above, and (2) advance funds pursuant to the First Mortgage for the purpose of paying real estate taxes and insurance premiums, and making necessary repairs to the Property, and (3) cure other defaults by the Borrower under First Mortgage Loan Documents, and (4) incur any other reasonable expense permitted by the First Mortgage Loan Documents or the Lender Agreement between Senior Lender and RD. Further, Senior Lender may impose any authorized civil monetary penalties permitted under the First Mortgage Loan Documents.

b. Insurance; Condemnation or Casualty. (i) The Senior Lender agrees that, in addition to the Senior Lender, RD shall be listed as loss payee as its interest appears on all insurance policies maintained on the Property; (ii) In the event of a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property ("Taking") or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "Casualty"), at any time or times when the First Mortgage remains a lien on the Property the following provisions shall apply:

(i). RD hereby agrees that its rights (under the RD Loan Documents or otherwise) to participate in any proceeding or action relating to a Taking or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Taking or a Casualty shall be and remain subordinate in all respects to the Senior Lender's rights under the First Mortgage Loan Documents with respect thereto; provided, however, this subsection or anything contained in this Agreement shall not limit the rights of the RD to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Taking and/or Casualty;

(ii). all proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment on the First Mortgage Loan) in the manner determined by the Senior Lender in its reasonable discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment on the principal of, interest on and other amounts payable under the First Mortgage Loan, any proceeds remaining after the satisfaction in full of the amounts payable under the First Mortgage Loan shall be paid to, and may be applied by, RD in accordance with the applicable provisions of the RD Loan Documents, provided however, the Senior Lender agrees to consult with RD in determining the application of Casualty proceeds, provided further that in the event of any disagreement between the Senior Lender and RD over the application of Casualty proceeds, the decision of the Senior Lender, in its reasonable discretion, shall prevail, and provided further that any repair or restoration must be in accordance with RD regulations for Section 515 of the Housing Act of 1949.



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Skagit County Auditor

8. Interference with RD Loan Obligations.

The Senior Lender will not knowingly and intentionally take any action that would preclude Borrower from being able to comply with applicable government statutes, regulations, instructions and terms of the RD Loan Documents.

9. Notices.

Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which the Senior Lender or RD is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be based upon the date of actual receipt), addressed to the respective parties as follows:

SENIOR LENDER: Bonneville Mortgage Company  
111 East Broadway, Suite 200  
Salt Lake City, Utah 84111  
Attn: Brent H. Peterson

With a copy to: Callister Nebeker & McCullough  
Zions Bank Building  
10 East South Temple, Suite 900  
Salt Lake City, Utah 84133  
Attn: John B. Lindsay

RD: USDA, Rural Development  
Multi Family Housing Program Director  
1835 Black Lake Blvd SW, Suite B  
Olympia, WA 98512

BORROWER: APD Housing Partners 16, LP  
c/o APD Housing Management 16, LLC  
1700 Seventh Avenue, Suite 2000  
Seattle, Washington 98101  
Attention: Stephen R. Whyte  
Fax: 206.621.7420  
[stephen.whyte@vitusgroup.com](mailto:stephen.whyte@vitusgroup.com)

With copies to: AOF/Pacific Affordable Housing Corp.  
7777 Center Avenue, Suite 240





Huntington Beach, California 92647  
Attention: Raman Nayar  
Fax: 714.891.2098  
ray.nayar@aofpacific.com

Either party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt.

10. RD's Consent to Modification of Senior Mortgage Loan. Senior Lender agrees not to modify the Senior Mortgage Loan in connection with a sale of the Senior Mortgage Loan in the secondary market so as to materially and adversely affect RD's security interest in the RD Mortgage without RD's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Should an O & M Program or MPP (as defined in the First Mortgage) be developed, Senior Lender will obtain RD concurrence with the contents of such plan or program prior to implementation or expenditure of funds.

11. General.

a. Assignment/Successors. This Agreement shall be binding upon the parties hereto and the successors and assigns.

b. No Partnership or Joint Venture. The Senior Lender's acknowledgement of the RD Loan Documents does not constitute the Senior Lender as a joint venture or partner of RD. Neither party hereto shall hold itself out as a partner, agent or affiliate of the other party hereto.

c. Senior Lender's and RD's Consent. Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its reasonable discretion, unless otherwise expressly provided in this Agreement. Wherever RD's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by RD in its reasonable discretion, unless otherwise expressly provided in this Agreement.

d. Further Assurances. RD, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the RD Mortgage is subordinate in the limited manner described herein to the lien, covenants and conditions of the First Mortgage, or to further evidence the intent of this Agreement.

e. Amendment. This Agreement shall not be amended except by written instrument signed by all parties hereto.

f. Governing Law. This Agreement shall be governed by the law of the state of Washington and by federal law, as applicable. Jurisdiction and venue shall be in the federal district court for the District of Washington unless all parties agree otherwise.

g. Severable Provisions. If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

h. Term. The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the First Mortgage Loan Documents; (ii) the payment of all of the principal of, interest on and other amounts payable under RD Loan Documents, other than by reason of payments which RD is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the First Mortgage; or (iv) the acquisition by RD of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, RD Mortgage, but only if such acquisition of title does not violate any of the terms of this Agreement.

i. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

*[SIGNATURE PAGE(S) AND EXHIBIT(S),  
IF ANY, FOLLOW THIS PAGE]*



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9/20/2012 Page 10 of 18 2:54PM

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

SENIOR LENDER

**BONNEVILLE MORTGAGE COMPANY,**  
a Utah corporation

By: \_\_\_\_\_

*Brent H. Peterson*  
Brent H. Peterson  
President, Multifamily Division

STATE OF WASHINGTON

COUNTY OF King

On this 17 day of September, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Brent H. Peterson, to me known to be the President, Multifamily Division of Bonneville Mortgage Company, a Utah corporation, the corporation that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act of and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that the corporation is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and seal the day and year first above written.

*[Signature]*  
\_\_\_\_\_  
NOTARY PUBLIC

Printed Name: Fairlie Le Peth

Notary Public residing at Seattle

My Commission Expires: 5.19.2015



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

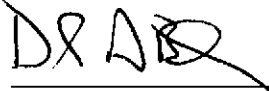
9/20/2012 Page 12 of 18 2:54PM

**BORROWER**

**APD HOUSING PARTNERS 16, LP,**  
a Washington limited partnership

By: APD Housing Management 16, LLC,  
a Washington limited liability company,  
Its: Administrative General Partner

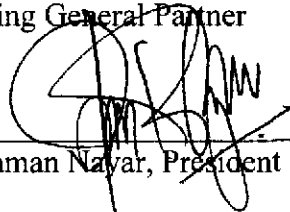
By:



David A. Beacham, Authorized Signatory

By: AOF/Pacific Affordable Housing Corp.,  
a California nonprofit public benefit corporation  
Its: Participating General Partner

By:



Raman Nayar, President

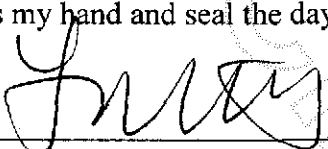


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STATE OF WASHINGTON )  
 ) SS.  
COUNTY OF King )

On this 17 day of September, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared David A. Beacham, to me known to be the Authorized Signatory, of APD Housing Management 16, LLC, a Washington limited liability company, to me known to be the Administrative General Partner of APD Housing Partners 16, LP, a Washington limited partnership, the limited partnership that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act of and deed of said limited partnership, for the uses and purposes therein mentioned, and on oath stated that the limited partnership is authorized to execute the said instrument.

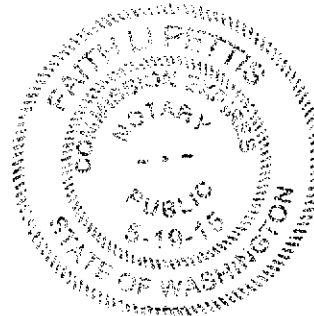
Witness my hand and seal the day and year first above written.

  
NOTARY PUBLIC

Printed Name: Faith L. Pettis

Notary Public residing at Seattle

My Commission Expires: 5-19-2015

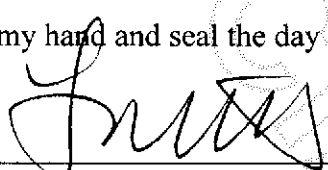


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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF King )

On this 17 day of September, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Raman Nayar, to me known to be the President, of AOF/Pacific Affordable Housing Corp., a California nonprofit public benefit corporation, to me known to be the Participating General Partner of APD Housing Partners 16, LP, a Washington limited partnership, the limited partnership that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act of and deed of said limited partnership, for the uses and purposes therein mentioned, and on oath stated that the limited partnership is authorized to execute the said instrument.

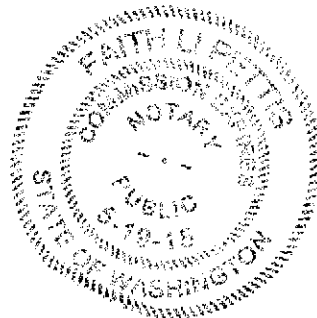
Witness my hand and seal the day and year first above written.

  
\_\_\_\_\_  
NOTARY PUBLIC

Printed Name: Faith L. Petter

Notary Public residing at Seattle

My Commission Expires: 5.19.2015



201209200082

Skagit County Auditor

**EXHIBIT "A"**  
**RD MORTGAGE**

1. A Deed of Trust to secure an indebtedness of \$1,007,100.00, dated March 7, 1980, recorded March 7, 1980, as Instrument No. 8003070031, in the County Recorder's Office of Skagit County, State of Washington, as may have been amended, supplemented and/or modified.

2. A Deed of Trust to secure an indebtedness of \$6,440.00, dated July 7, 1980, recorded July 7, 1980, as Instrument No. 8007070066, in the County Recorder's Office of Skagit County, State of Washington, as may have been amended, supplemented and/or modified.

3. An Assumption Agreement between the United States of America, acting through the Department of Agriculture, Rural Housing Service or its successor.

4. Any Financing Statement in favor of the United States of America identifying the Borrower as "Debtor" filed with the Washintgon Secretary of State, and any security interest in the collateral identified or described therein.





**EXHIBIT "B"**  
**LEGAL DESCRIPTION**

The land referred to herein below is situated in the City of Burlington, County of Skagit,  
State of Washington, and is described as follows:

(See Attached)



201209200082

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Exhibit B

Legal Description

The land referred to herein below is situated in Skagit County, State of Washington, and is described as follows:

Tract 2, Burlington Short Plat No. 78-2, recorded in Volume 3 of Short Plats, page 26, under Auditor's File No. 888920, records of Skagit County, Washington; being a portion of Lot 50, Plat of Burlington Acreage property, according to the Plat thereof recorded in Volume 1 of Plats, page 49, records of Skagit County, Washington.

Situated in Skagit County, Washington.



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