

When Recorded Return To:

The Washington State Department of Commerce
Housing Trust Fund
1011 Plum Street SE
Post Office Box 42525
Olympia, Washington 98504-2525

Attention: Michelle Campbell, (360) 725-3039



201405230069

Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY

146824-S

DEED OF TRUST

(Villa Kathleen Property)

Grantor (Borrower): Villa Kathleen Redevelopment LLLP
Beneficiary (Lender): Department of Commerce
Grantee (Trustee): Stewart Title Company
Legal Description (abbreviated): VILLA KATHLEEN: (PARCEL B) FRITSCH'S TO BURLINGTON LOTS 13 TO 23 BLK 2 DK 12
Assessor's Tax Parcel ID#: P72536
Contract Number: 12-94110-035

THIS VILLA KATHLEEN DEED OF TRUST is made as of the 22 day of May, 2014, between Villa Kathleen Redevelopment LLLP, a Washington limited liability limited partnership, whose mailing address is 2505 3rd Ave, Suite 204 as Grantor ("Grantor"); Stewart Title Company, whose mailing address is 1420 5th Ave., Suite 500, Seattle, WA 98101 as Trustee ("Trustee"); and the Washington State Department of Commerce, or its successor agency, as Beneficiary ("Beneficiary"), whose mailing address is 1011 Plum Street SE, 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 13 through 23, inclusive, Block 2 "FRITSCH'S ADDITION TO BURLINGTON", as per plat recorded in Volume 3 of Plats, page 78, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington

according to the plat thereof, recorded in Skagit County, Washington, (the "Villa Kathleen 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 Villa Kathleen Property is not used principally for agricultural or farming purposes.

2. Obligations Secured. This Villa Kathleen Deed of Trust is given for the purpose of securing the following:

- (a) Payment in the amount of \$242,858.00 with interest thereon according to the terms of the Promissory Note (the "Note") dated as of April 8, 2014 payable by the Mercy Housing Northwest 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 Villa Kathleen Deed of Trust and in the First Contract Amendment Number: 12-94110-035 between Mercy Housing Northwest 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 Villa Kathleen Deed of Trust shall be in a subordinate lien position in accordance with the Priority and Subordination as approved by Beneficiary.

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

4.1. To keep the Villa Kathleen 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 Villa Kathleen Property.

4.2. To pay before delinquent all lawful taxes and assessments upon the Villa Kathleen Property; to keep the Villa Kathleen Property free and clear of all other charges, liens, or encumbrances impairing the security of this Villa Kathleen Deed of Trust.

4.3. To keep all buildings now or hereafter on the Villa Kathleen Property continuously insured against loss by fire or other hazards in an amount not less than the replacement cost of the Villa Kathleen Property. Except as otherwise provided herein and in the First Contract Amendment, 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 Villa Kathleen 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 Villa Kathleen Deed of Trust.

4.5. To pay all costs, fees and expenses in connection with this Villa Kathleen 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 Villa Kathleen 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 Villa Kathleen Deed of Trust.



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5. General Conditions. The parties hereto agree that:

5.1. In the event of any fire or other casualty to the Villa Kathleen Property or eminent domain proceedings resulting in condemnation of the Villa Kathleen Property or any part thereof, Grantor shall have the right to rebuild the Villa Kathleen 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 Villa Kathleen 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 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 the First Contract Amendment, the Note, this Villa Kathleen Deed of Trust or the Covenant. If the casualty or condemnation affects only part of the Villa Kathleen 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. The Trustee shall reconvey all or any part of the Villa Kathleen Property covered by this Villa Kathleen 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 Villa Kathleen 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 Villa Kathleen Property which Grantor had or had the power to convey at the time of the execution of this Villa Kathleen 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 Villa Kathleen 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 Villa Kathleen Deed of Trust and by the Deed of Trust Act of the state of Washington is not an exclusive remedy; Beneficiary may cause this Villa Kathleen Deed of Trust to be foreclosed as a mortgage.

5.7. Beneficiary may at any time appoint or discharge the Trustee.

5.8. This Villa Kathleen 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 First Contract Amendment, if without Beneficiary's prior written consent, all or any part of the Villa Kathleen Property or any interest in it is sold, conveyed, transferred, encumbered, or the Villa Kathleen Property is not used as required by the Low Income Housing Covenant Agreement between Beneficiary and Grantor, executed in conjunction with this Villa Kathleen Deed of Trust, Beneficiary may, at its option, require immediate payment in full of all sums secured by this Villa Kathleen 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 Villa Kathleen 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 Villa Kathleen 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 Villa Kathleen Deed of Trust without further notice or demand on Grantor.

7. **Cross Default.** Grantor acknowledges that the obligations under the First Contract Amendment applies to the real properties owned by Grantor located at 535 N Pine Street in Burlington, WA 98233 and 1815 E. Fir Street in Mount Vernon, WA 98273 (the "Additional Properties") A default under Grantor's obligations with respect to Additional Properties and/or the Low Income Housing Covenants recorded against the Additional Properties shall constitute a default hereunder.

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

Villa Kathleen Redevelopment LLLP, a Washington limited liability limited partnership,

By: Cobble Knoll I Mercy LLC,
a Washington limited liability company
Its: General Partner

By: Mercy Housing Northwest,
a Washington non-profit corporation,
Its: sole member and manager

By: Bill Rumpf

Print Name: Bill Rumpf

Title: President



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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Bill Rumpf 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 acknowledged it as the President of **Mercy Housing Northwest**, a Washington non-profit corporation, to me known to be the sole member and manager of Cobble Knoll I Mercy LLC, a Washington limited liability company, the general partner of **Villa Kathleen Redevelopment LLLP**, a Washington limited liability limited partnership, to be the free and voluntary act and deed of such non-profit on behalf of such limited partnership, for the uses and purposes mentioned in the instrument.



Date: May 22, 2014

[Signature]
Notary Public in and for the state of Washington,
residing at: King Co

My commission expires: 12/9/17

Kathleen C. McCusker
Print Name



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REQUEST FOR FULL RECONVEYANCE

**TO BE USED ONLY WHEN ALL OBLIGATIONS HAVE BEEN PAID AND ALL
DUTIES PERFORMED UNDER THIS VILLA KATHLEEN DEED OF TRUST.**

TO: TRUSTEE:

The undersigned Beneficiary is the party entitled to the performance, benefits, duties, and payments under the First Contract Amendment Number: 12-94110-035 between Grantor and Beneficiary which is secured by this Villa Kathleen Deed of Trust and other legal documents.

The obligations thus secured have been fully paid, duties performed and satisfied, and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Villa Kathleen Deed of Trust, including Contingent Interest, to cancel evidence of indebtedness secured by said Villa Kathleen Deed of Trust delivered to you with said Villa Kathleen Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Villa Kathleen Deed of Trust, all the estate now held by you hereunder.

Dated

Name

Title



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