

When Recorded Return To:

Washington State Department of Commerce
Housing Finance Unit
1011 Plum Street SE
Post Office Box 42525
Olympia, Washington 98504-2525

Attention: HFU Contracts/Fiscal - HTF

LEASEHOLD DEED OF TRUST

Grantor (Lessee):	Housing Authority of Skagit County Mount Vernon Farmworker LLLP
Grantor (Lessor):	Housing Authority of Skagit County
Beneficiary (Lender):	Department of Commerce
Grantee (Trustee):	First American Title Insurance Company
Legal Description (abbreviated):	SW NW of Sec. 15, Twp. 34N., R. 4E., WM
Assessor's Tax Parcel ID#:	P24832
Contract Number:	19-94110-018

THIS LEASEHOLD DEED OF TRUST (hereinafter called "Deed of Trust") is made this 14th day of October, 2021, between Housing Authority of Skagit County Mount Vernon Farmworker LLLP, a Washington limited liability limited partnership, whose mailing address is 1650 Port Drive, Burlington, Washington 98233 as Grantor ("Lessee"); Housing Authority of Skagit County, a Washington public body corporate and politic, whose mailing address is 1650 Port Drive, Burlington, Washington 98233 as Grantor ("Lessor"); First American Title, whose mailing address is 920 Fifth Ave., Suite 1200, Seattle, WA 98104 as Trustee ("Trustee"); and the Washington State Department of Commerce, or its successor agency, as Beneficiary ("Beneficiary"), whose location and mailing addresses are; 1011 Plum Street SE, P.O. Box 42525, Olympia, Washington 98504-2525.

1. Grant. Lessee hereby irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, the following described property in Skagit County, Washington:

That certain Leasehold Estate (hereinafter called "Leasehold Estate"), together with and including all right, title and interest of Grantor therein, which said Leasehold Estate embraces and covers the real property hereinafter described, situated, lying in the City of Mount Vernon, County of Skagit, State of Washington,

1st AM
1009324 - 8 pgs

and is more particularly described as: The Leasehold Estate created by that certain Lease (hereinafter called " Lease") dated October 21st, 2021, executed by and between Housing Authority of Skagit County, a Washington public body corporate and politic, as Lessor, and Housing Authority of Skagit County Mount Vernon Farmworker LLLP, a Washington limited liability limited partnership, as Lessee, for a term of 99 years beginning on October 21st, 2021, which the Memorandum of Lease was recorded on October 21st, 2021, as Instrument No. 202110210117, in the Office of the County Auditor of Skagit, State of Washington, and covers the following described property:

PARCEL A

THE SOUTH 616 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THE EAST 1/2 OF THE EAST 1/2 OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 15, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M.

EXCEPT THAT PORTION CONVEYED TO THE STATE OF WASHINGTON BY DEED DATED MAY 29, 1986 AND RECORDED UNDER AUDITOR'S FILE NO. 8610010020, RECORDS OF SKAGIT COUNTY, WASHINGTON.

SITUATE IN THE CITY OF MOUNT VERNON, COUNTY OF SKAGIT, STATE OF WASHINGTON.

PARCEL B:

AN EASEMENT FOR STORMWATER POND AS ESTABLISHED UNDER OPERATIONS, MAINTENANCE, AND EASEMENT AGREEMENT FOR DRAINAGE AND STORMWATER FACILITIES RECORDED October 21 2021, UNDER RECORDING NO. 202110210093

(the "Property")

TOGETHER WITH all right, title and interest of Lessor in and to all options to purchase, options of first refusal and renewal options with respect to the Lease or said Property or any portion thereof or any interest therein and in and to any greater estate in said Property (including the fee simple estate) as may be subsequently acquired by or release to Lessee.

TOGETHER WITH all interest, estate or other claims, both in law or equity, which Lessee now has or may hereafter acquire in said property.

1.1. The Lease shall not be modified or changed in any way without the written consent of Beneficiary.

1.2. Beneficiary shall be immediately furnished with all Notices of Default served by Lessor of the Lease on Lessee.

1.3. In the event Grantor shall fail to make payment due on the Lease or to perform any term or covenant as provided therein, in addition to any such default, constituting a default under this Deed of Trust, Beneficiary may, at its option, make the defaulted payments or perform the term or covenant and add the same to the amount due under this Deed of Trust without waiving any of its rights under this Deed of Trust and the Note which it secures.

1.4. If both the Lessor's and the Lessee's estate under the Lease shall at any time become vested in one owner, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by the application of the doctrine of merger, and in such event, Beneficiary shall continue to have and to enjoy all of the rights, title, interest and privileges of Beneficiary as to the separate estates. In addition, foreclosure of said property shall not destroy or terminate the Lease by application of the doctrine of merger or as a matter of law or as a result of foreclosure unless Beneficiary or any purchaser at foreclosure sale shall so elect. In the event that Lessee shall, at any time prior to the payment in full of all indebtedness secured by this Deed of Trust, acquire fee simple title to said property, such fee simple title shall not merge with the leasehold estate encumbered by this Deed of Trust, but such fee simple title shall immediately, without further action on the part of the Lessee, become subject to the lien hereof. In the event of such acquisition by Lessee, Lessee agrees to execute and deliver to Beneficiary such further instruments, conveyances and assurances as Beneficiary may reasonably require in order to further confirm and assure that the fee simple title so acquired by Grantor is subject to the terms, provisions and lien of this Deed of Trust. The provisions of this paragraph shall not apply in the event Beneficiary acquires the fee simple title of said property, except if Beneficiary shall so elect. Said Property is not used principally for agricultural or farming purposes.

2. Obligations Secured. This deed is given for the purpose of securing payment in the amount of Three Million and 00/100 Dollars (\$3,000,000.00) payable by the Lessee to the Beneficiary evidenced by a Promissory Note between Housing Authority of Skagit County and the Washington State Department of Commerce dated October 15th, 2021 and Housing Trust Fund Contract Number 19-94110-018 between Housing Authority of Skagit County and Washington State Department of Commerce as now or hereafter amended, securing performance of each term and condition of said Contract and Promissory Note, which Contract and Promissory Note have been assigned to and assumed by Lessee, together with all future advances.

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

3.1. 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.

3.2. 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.

3.3. 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. Except as otherwise provided herein and in the Contract 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 Lessee in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

3.4. 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.

3.5. 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.

3.6. Should Lessee fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the Property, Beneficiary may, but shall not be obligated, to 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.

4. General Conditions. The parties hereto agree that:

4.1. 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, Lessor 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 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 Contract, the Note, this Deed of Trust or the Covenant. 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.

4.2. 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.

4.3. 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.

4.4. Power of Sale. Pursuant to Chapter 61.24 of the Revised Codes of Washington ("Deeds of Trust Act") 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 Deeds 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.

4.5. 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 Lessee had or had the power to convey at the time of the execution of this Deed of Trust, and such as Lessor 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.

4.6. The power of sale conferred by this Leasehold Deed of Trust and by the Deeds 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.

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

4.8. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto and their successors and assigns. The terms "Lessee", "Lessor", "Trustee", and "Beneficiary" include their successors and assigns.

5. 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 Lessee, 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 Lessee 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 Lessee must pay all sums secured by this Deed of Trust. If Lessee 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 Lessee. Notwithstanding the foregoing, Beneficiary acknowledges that the Lessee's limited partner may cure any default arising under the Note or this Deed of Trust and the Beneficiary hereby agrees that any cure of any default made or tendered by Lessee's limited partner shall be deemed to be a cure by Lessee. Beneficiary shall accept or reject any tender of cure by Lessee's limited partner on the same terms and conditions as Beneficiary would accept or reject such tender of cure by Lessee.

[SIGNATURE AND NOTARY BLOCKS TO FOLLOW]

REQUEST FOR FULL RECONVEYANCE

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

TO: TRUSTEE:

The undersigned as the party entitled to the performance, benefits, duties, and payments under the Housing Trust Fund Contract 19-94110-018 between Grantor and Beneficiary, which is secured by this 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 Deed of Trust, including Contingent Interest, to cancel evidence of indebtedness secured by said Deed of Trust delivered to you with 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 hereunder.

Dated

Name

Title