



200706270194

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: Dan Schilling, (360) 725-2902

123455-7

LAND TITLE OF SKAGIT COUNTY

DEED OF TRUST

Grantor (Borrower): Skagit County Community Action Agency

Beneficiary (Lender): Department of Community, Trade, and Economic Development

Grantee (Trustee): Land Title Company of Skagit

Legal Description (abbreviated): Lots 1 and 2 of "Block 2, Pape's Addition to the City of Mount Vernon, according to SURVEY RECORDED AF#200112280124, records of Skagit County, Washington."

Assessor's Tax Parcel ID#: P53984

Contract Number: 07-94100-022

THIS DEED OF TRUST is made this 8th day of March, 2007, between Skagit County Community Action Agency, a Washington non-profit corporation, whose mailing address is PO Box 1507, 330 Pacific Place, Mount Vernon, Washington 98273-1507 as Grantor ("Grantor"); Land Title Company of Skagit, whose mailing address is P.O. Box 445, 111 East George Hopper Road 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:

See Attached Schedule A-1

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 Eight Hundred Ninety-Seven Thousand Four Hundred Nine Dollars (\$897,409.00) with interest thereon according to the terms of a Promissory Note (the "Note") dated March 8th, 2007, payable by the Grantor to the Beneficiary, 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 Trust Fund Contract Number 07-94100-022 between Grantor and Beneficiary, their successors or assigns, as now or hereafter amended (the "Contract").

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. 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 Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

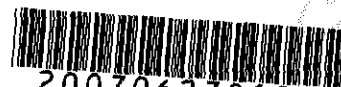
4.4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such proceeding, and in any suit brought by Beneficiary 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, 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. The payment of such sums by Beneficiary and addition of the amount thereof to the principal balance secured hereby shall not constitute a waiver of the default.

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 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 Contract, the Note, the 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.

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.

Skagit County Community Action Agency, a Washington non-profit corporation

By: William J. Shuler

Print Name: William J. Shuler

Title: Executive Director

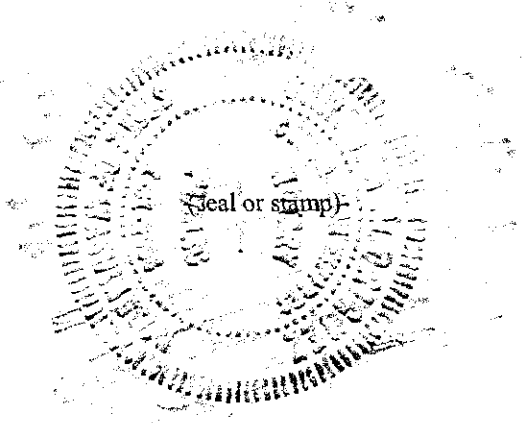
STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that William J. Shuler 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 Executive Director of Skagit County Community Action Agency a Washington non-profit corporation, to be the free and voluntary act and deed of such party for the uses and purposes mentioned in the instrument.

Date: 06/20/07

Carmina Rodriguez
Notary Public in and for the State of Washington,
residing at Skagit County

My commission expires January 31 2008
Carmina Rodriguez
Print Name



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 Beneficiary is the party entitled to the performance, benefits, duties, and payments under the Housing Trust Fund Contract 07-94100-022 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



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Schedule "A-1"

123455-P

DESCRIPTION:

Lots 1 And 2, Block 2, "PAPE'S ADDITION TO THE CITY OF MT. VERNON," as per plat recorded in Volume 3 of Plats, page 59, records of Skagit County, Washington.

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



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