

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



200706270195
Skagit County Auditor

6/27/2007 Page

1 of

7 3:37PM

LAND TITLE OF SKAGIT COUNTY
123455-8

PRIORITY AGREEMENT

This Priority Agreement ("Agreement") is made as of the 13th day of June, 2007, by and among the Washington State Department of Community Trade and Economic Development ("CTED"); the Mount Vernon School District No. 320 ("School District"), and Skagit County Community Action Agency, a Washington non-profit corporation ("Owner").

RECITALS

A. Owner's Interest: Owner has a fee simple ownership in the real property located at 720 and 724 North 4th Street, Mount Vernon, Skagit County, Washington, (the "Property") legally described as follows:

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

P53984

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

Owner intends to construct and remodel a structure that it owns on the Property to serve as emergency shelter for families with children (the "Project"). The remaining parties to this Agreement have provided or committed to provide financial assistance for the acquisition and/or construction of the Project, or, in the case of the School District, have recognized the broad public purposes of the Owner's project and thereby approved an exemption from the payment of school impact fees consistent with RCW 82.02.060(2) and the City of Mount Vernon school impact fee ordinance, all as set forth below.

B. CTED's Interest: CTED has committed to provide funds to the Owner for the Project in the amount of \$897,409 (the "CTED Grant"). Owner and CTED entered into a Contract dated March 13, 2007 (the "CTED Contract"). Owner has executed for the benefit of CTED: (1) a Promissory Note in the amount of \$897,409 ("CTED Note") dated March 8, 2007, (2) a Low Income Housing Covenant Agreement dated March 8th, 2007 and recorded under Skagit County recording number 200706270193 restricting the use of the Property (the "CTED

Covenant"), and (3) a Deed of Trust dated March 8th, 2007 securing Owner's performance under the terms of the above-described documents recorded under Skagit County recording number 200706270195 (the "CTED Deed of Trust"). All documents listed in this paragraph and any others evidencing the CTED Grant are hereinafter collectively referred to as the "CTED Grant Documents".

C. Mount Vernon School District No. 320's Interest: School District has committed to approve an exemption to the Owner from school impact fees per Section 3.36.050(A)(2) of the City of Mount Vernon Municipal Code so long as the property is maintained as a shelter. Owner has executed for the benefit of the School District as evidence a Restrictive Covenant restricting the use of the Property to serve homeless parents with children previously recorded under Skagit County recording number 200603130182 (the "School District Covenant"), dated on or about March 13, 2006. The above-referenced document also secures the Owner's performance for payment of the School Impact Fee if the property use should change. The "School District Covenant" shall run with and be a burden upon the Owner's interest in the Property.

E. The Parties wish to enter into this Agreement in order to establish their respective rights and priorities regarding the Property and to require CTED and the School District to obtain the consent of those with higher priority before they may declare a default, all as more fully set forth below.

All of the documents discussed in the Recitals section of this Agreement are collectively referred to as the "Documents" and the information and definitions contained in the Recitals are acknowledged by the parties to be an integral part of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements and undertakings herein contained, the parties agree as follows:

1. Priorities.

Regardless of the time each party's interest in the Property was or shall be created or recorded, such interests have and shall have the following priorities:

- (a) First Priority. The CTED Covenant shall have first priority. The rights and interests of CTED under the CTED Deed of Trust and the rights and interests of the School District under the School District Covenant are hereby made subordinate and subject to the rights and interests of CTED under the CTED Deed of Trust.
- (b) Second Priority. The CTED Deed of Trust shall have second priority. The rights and interests of the School District under the School District Covenant are hereby made subordinate and subject to the rights and interests of CTED under the CTED Deed of Trust.
- (c) Third Priority. The School District Covenant shall have third priority.



200706270195
Skagit County Auditor

6/27/2007 Page

2 of 7 3:37PM

2. Each party hereto agrees to execute such further instruments and documents, including detailed subordination agreements in recordable form, as may be necessary from time to time to effectuate and confirm such relative priorities.

3. CTED Approval of Declaration(s) of Default.

For so long as the CTED Documents remain in effect, the School District will not declare any default under their respective Documents without the express written approval of CTED.

4. Notification of default.

If CTED or the School District elect to declare a default under any of their respective Documents (which, in the case of the subordinate interest holder shall require the consent of the superior interest holder as set forth above), or to terminate any agreement, or to pursue any of their remedies or rights in case of default, or to seek to recover any funds thereunder, the party declaring the default or taking such action shall, simultaneously with notice to Owner, furnish all other parties hereto such notice as is required to be given to Owner under the applicable Grant Document.

7. Transfer of Physical Assets.

CTED's approval of a transfer of physical assets constitutes the School District's approval of said transfer.

8. Consents.

CTED hereby consents to the execution, delivery, and recording of the Grant Documents by CTED. CTED and the School District each hereby also consent to the execution, delivery, and recording of the CTED Grant Documents and all Documents of the other secured parties. Owner consents to all the terms and conditions of this Agreement.

9. Miscellaneous.

- a. Entire Agreement. This Agreement comprises the entire agreement among the parties with respect to the priority of the interests held by CTED and the School District in the Property, and merges all prior understandings or agreements on that subject.
- b. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Washington without recourse to any principles of Conflicts of Laws.
- c. Notices. All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when hand-delivered within normal business hours, when actually received by facsimile transmission during normal business hours, or two business days after mailed by certified or



200706270195
Skagit County Auditor

UNOFFICIAL DOCUMENT

registered mail, return receipt requested, postage prepaid, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

- d. Amendment. This Agreement may be amended only by a writing signed by the parties hereto.
- e. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and whether or not all parties execute each counterpart.
- f. Completion of Recording Information. If this Agreement is signed without completion of certain recording information called for above, any party hereto or any title insurance company acting on the instructions of any party is hereby authorized to insert such information prior to recording this Agreement upon written consent of the other parties to this Agreement.

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

[SIGNATURES AND NOTARIES APPEAR ON THE FOLLOWING PAGES]



200706270195
Skagit County Auditor

STATE OF WASHINGTON DEPARTMENT OF
COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

By: *Dan A. Riebli*

Print Name: Dan A. Riebli

Title: Manager, Contracts Management Team, Housing Trust Fund

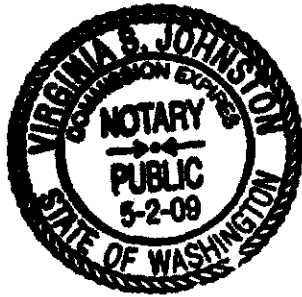
STATE OF WASHINGTON)
)
COUNTY OF THURSTON)

ss.

I certify that I know or have satisfactory evidence that Dan A. Riebli is the person who appeared before me, and said person acknowledged that s/he signed this instrument, and on oath stated that s/he is authorized to execute the instrument and acknowledged it as the Manager of the Contracts Management Team of the Housing Trust Fund of the **DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT**, a department of the **STATE OF WASHINGTON**, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: 5/22/07

Virginia S. Johnston
Notary Public for the State of WA
Print name: Virginia S. Johnston
Residing at: Peace County
My commission expires: 5/2/09



200706270195
Skagit County Auditor

