

Return Address:

Washington Community Reinvestment Association
P.O. Box 2609
Seattle, WA 98111-2609
Loan No. 2-970099



200005250018

Kathy Hill, Skagit County Auditor
5/25/2000 Page 1 of 6 9:21:34AM

OPTION SUBORDINATION AGREEMENT

FIRST AMERICAN TITLE CO.

B61129E-4

Reference numbers of related documents:
on page _____ of document

9811300304

AF # 2000 05250015

Grantor(s):

1. Salem Village
2. Salem Village Limited Partnership
- 3.

etc. additional names on page _____ of document

Grantee(s):

1. Washington Community Reinvestment Association
- 2.
- 3.

etc. additional names on page _____ of document

Legal Description:

1. Section 8, Township 34, Range 4; Ptn. SE – SE aka Lot 2 and Ptn. Lot 3, Short Plat #MV-8-94
2. Additional legal description is on page _____ of document

Assessor's Property Tax Parcel Account Number(s): 340408-0-013-0003 (R24136)

Return Address:

**Washington Community Reinvestment Association
P.O. Box 2609
Seattle, WA 98111-2609
Loan No. 2-970099**

OPTION SUBORDINATION AGREEMENT

This Agreement is made as of the 25th day of May, 2000, by SALEM VILLAGE, a Washington nonprofit corporation ("Subordinator"), and SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership ("Owner"), with references to the following facts:

A. Owner heretofore executed and delivered an option agreement dated July 1, 1998 ("Option Agreement"), with Owner, a memorandum of which was recorded November 30, 1998, under Skagit County, Washington, Recording No. 9811300304, whereby Owner granted Subordinator the option to purchase and Right of First Refusal on the real property legally described in Exhibit A attached hereto ("Property") and other property described therein.

B. WASHINGTON COMMUNITY REINVESTMENT ASSOCIATION, a Washington nonprofit corporation ("Lender") has agreed to make a loan of \$747,000.00 to Owner secured by a multifamily deed of trust, assignment of rents and security agreement covering the Property ("Deed of Trust").

C. Lender has required that Owner and Subordinator enter into a subordination agreement in favor of Lender.

NOW, THEREFORE, for good and valuable consideration, receipt whereof is hereby acknowledged, the parties agree as follows:

1. Subordinator and owner hereby authorize Lender to insert the recording data of the Deed of Trust in the space provided below when the Deed of Trust has been recorded. The Deed of Trust was recorded 5-25, 2000, under Skagit County, Washington, recording No. AF# 2000 05 25 0015

2. Subordinator hereby subordinates the Option Agreement and all of its rights thereunder in and to the Property to the lien of the Deed of Trust and all advances or charges made or accruing thereunder, including any extension, renewal or modification thereof.

3. Subordinator acknowledges that Subordinator:

(a) has had the opportunity to examine the terms of the Deed of Trust and the note and agreements relating thereto prior to the execution hereof;

(b) consents to and approves the same;

*Option Subordination Agreement
Salem Village Apts /Sub-Opt.doc
WCRA No. 2-970099*



200005250018

Kathy Hill, Skagit County Auditor

5/25/2000 Page 2 of 6 9:21:34AM

(c) agrees that Lender has no obligation to Subordinator to advance any funds under the Deed of Trust or to see to the application of any funds advanced by Lender; and

(d) recognizes that any application of use of such funds for purposes other than those provided for in the Deed of Trust, or any note or other agreements secured thereby or related thereto shall not defeat, in whole or in part, the subordination made herein.

Lender may, without notice to Subordinator, amend or modify the Deed of Trust, the Note, and all agreements relating thereto (the "Loan Documents"), release any or all parties liable for the indebtedness secured by the Deed of Trust, and release all or any security for the indebtedness secured by the Deed of Trust. Subordinator waives any right to require marshalling of assets or to require Lender to proceed against or exhaust any specific security for the indebtedness secured by the Deed of Trust, and any defense arising out of the loss or impairment of any right of subrogation to the lien of the Deed of Trust.

4. It is understood, acknowledged and agreed by the parties hereto that Lender would not make the loan secured by the Deed of Trust without this Agreement.

5. This Agreement is the entire agreement between the parties hereto with regard to the subordination of the Option Agreement and all of Subordinator's rights in and to the Property to the lien or charge of the Deed of Trust and shall supersede and cancel any prior agreements as to such, or any, subordination. This Agreement shall be governed by the laws of the state in which the Property is located. In any action, suit or appeal therefrom, involving the enforcement or interpretation of this Agreement, the prevailing party shall be entitled to recover from the other party or parties its costs incurred therein, including reasonable attorney fees. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, and assigns of the parties hereto.

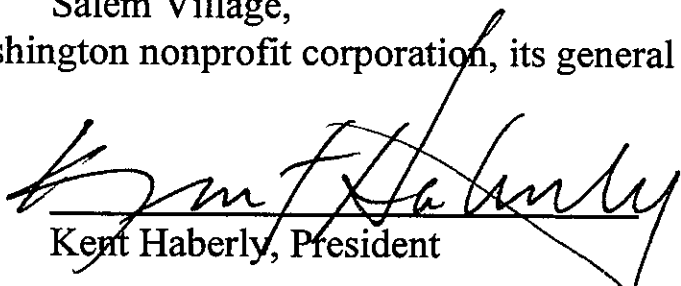
6. Lender may, without notice to Subordinator, amend or modify the Deed of Trust, the Note, and all agreements relating thereto (the "Loan Documents"), release any or all parties liable for the indebtedness secured by the Deed of Trust, and release all or any security for the indebtedness secured by the Deed of Trust. Subordinator waives any right to require marshalling of assets or to require Lender to proceed against or exhaust any specific security for the indebtedness secured by the Deed of Trust, and any defense arising out of the loss or impairment of any right of subrogation to the lien of the Deed of Trust.

EXECUTED as of the day and year first above written.

OWNER:

SALEM VILLAGE LIMITED PARTNERSHIP,
a Washington limited partnership

BY: Salem Village,
a Washington nonprofit corporation, its general partner

By: 
Kent Haberly, President



200005250018

Kathy Hill, Skagit County Auditor

5/25/2000 Page 3 of 6 9:21:34AM

SUBORDINATOR:

SALEM VILLAGE,
a Washington nonprofit corporation

By:

Kent Haberly
Kent Haberly, President

LENDER:

WASHINGTON COMMUNITY REINVESTMENT ASSOCIATION,
a Washington nonprofit corporation

BY:

Susan M. Duren
Susan M. Duren, Vice President

NOTARY

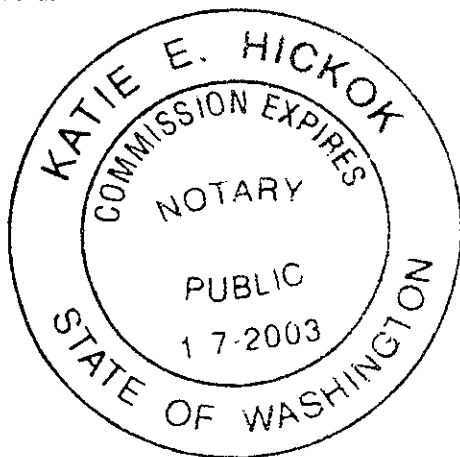
STATE OF WASHINGTON)

COUNTY OF Skagit)

ss.

On this 18th day of May, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kent Haberly, to me known to be the person who signed as President of SALEM VILLAGE, a Washington nonprofit corporation the corporation acting as general partner of SALEM VILLAGE LIMITED PARTNERSHIP, the limited partnership that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of the corporation as general partner and of the limited partnership for the uses and purposes therein mentioned; and on oath stated that he was duly elected, qualified and acting as said officer of the corporation and that he was authorized to execute the said instrument on behalf of the corporation and that the seal affixed, if any, is the corporate seal of the corporation, and that the corporation was authorized to execute said instrument on behalf of the limited partnership.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.



Katie E. Hickok
(Signature of Notary)

Katie E. Hickok
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of Washington,
residing at mt Vernon
My appointment expires: 1-7-2003

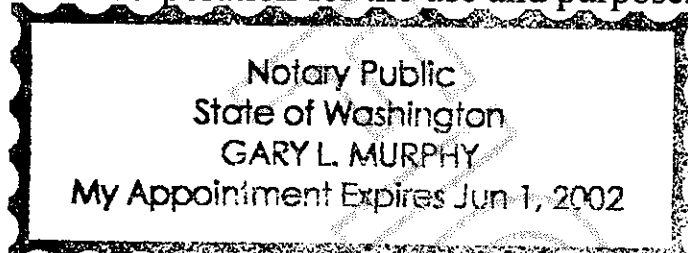


STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

On this 17th day of May, 2000 before me a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared SUSAN M. DUREN, known to me to be the Vice President of WASHINGTON COMMUNITY REINVESTMENT ASSOCIATION, a Washington non-profit corporation, the corporation named in and which executed the foregoing instrument, and stated on oath that she is authorized to execute the foregoing instrument on behalf of said corporation and signed the same as the free and voluntary act and deed of said corporation for the use and purposes therein mentioned.



Signature: [Signature]

Printed Name: Gary L. Murphy

Notary Public in and for the State of Washington,
residing at Seattle

My Commission expires: 6-1-02

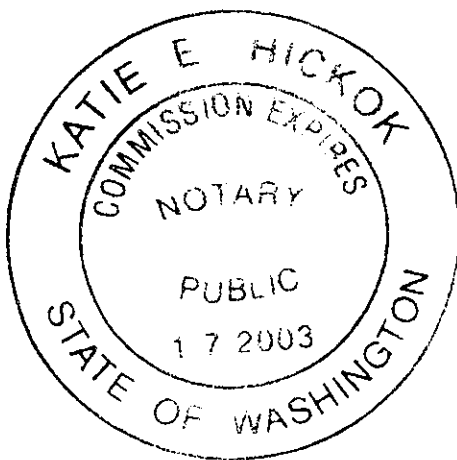
STATE OF WASHINGTON)

) ss.

COUNTY OF Skagit)

On this 18th day of May, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kent Haberly, to me known to be the person who signed as President of SALEM VILLAGE, a Washington nonprofit corporation, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation, that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.



[Signature]
(Signature of Notary)

Katie E. Hickok
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of Washington,
residing at Mt. Vernon

My appointment expires: 1-7-2003



200005250018

Kathy Hill, Skagit County Auditor

5/25/2000 Page 5 of 6 9:21:34AM

EXHIBIT "A"

Legal Description:

Located in the County of Skagit, State of Washington, and described as follows:

Lot 2 of Mount Vernon Short Plat No. MV-8-94, approved July 1, 1997 and recorded July 1, 1997 under Auditor's File No. 9707010107 in Volume 13 of Short Plats, page 18, records of Skagit County, Washington;

TOGETHER WITH that portion of Lot 3 of said Mount Vernon Short Plat No. MV-8-94, described as follows:

Beginning at the Northwest corner of said Lot 2; thence South 0 degrees 11'21" West along the West line of said Lot 2, also being the East line of said Lot 3, a distance of 229.71 feet to the Southwest corner of said Lot 2; thence North 87 degrees 57'29" West, along the North line of a 60 foot wide utility and access easement as shown on said Short Plat, 53.64 feet; thence North 0 degrees 11'21" East 64.17 feet to the beginning of a curve to the right, having a radius of 88.00 feet; thence Northeasterly along the arc of said curve to the right, through a central angle of 21 degrees 40'05", an arc distance of 33.28 feet; thence North 21 degrees 51'26" East, 117.03 feet to the beginning of a curve to the left, having a radius of 50.00 feet; thence Northerly along the arc of said curve to the left, through a central angle of 21 degrees 40'05", and arc distance of 18.91 feet; thence North 0 degrees 11'21" East, 4.11 feet to a point which lies North 87 degrees 57'29" West from said Northwest corner of Lot 2; thence South 87 degrees 57'29" East, 0.64 feet to the point of beginning.

End of Exhibit "A"



200005250018