

RECORDED AT THE REQUEST OF
AND AFTER RECORDING RETURN TO:
Anthony Ives
Executive Director
Kitsap Community Resources
845 8th Street, Bremerton WA 98337

PRIORITY AND SUBORDINATION AGREEMENT

Grantors: (1) Kitsap Community Resources;
(2) Kitsap County;
(3) Washington State Department of Commerce;

Grantee (Trustee) Aegis Land Title Group

Grantees: (1) Washington State Department of Commerce;
(2) Kitsap County

Abbrev. Legal Descr.: PTN NW/NE 13-24-1E
Additional Legal Description on Exhibit A

Assessor's Tax Parcel 132401-1-087-2006 and 132401-1-088-2005

Reference Numbers: 202402270036 (Commerce Covenant)
202502270001 (HOME Restrictive Covenant)
202402270035 (Commerce Deed of Trust)

Courtesy recording only. No liability
for validity and/or accuracy is
assumed. This document was
recorded by Aegis Land Title Group
as an accommodation only.

PRIORITY AND SUBORDINATION AGREEMENT

This PRIORITY AND SUBORDINATION AGREEMENT (this "Agreement") is dated as of March 6, 2025, by and among the following parties (collectively, the "Parties"): KITSAP COMMUNITY RESOURCES, a Washington nonprofit corporation (the "Owner"); KITSAP COUNTY, WASHINGTON (the "County"), a Washington municipal corporation; and the WASHINGTON STATE DEPARTMENT OF COMMERCE, a State agency ("Commerce"). Each of Commerce and the County is referred to as a "Funder" and together are referred to as "Funders."

RECITALS

A. Owner's Interest as Fee Owner. Kitsap Community Resources is the owner of land and improvements located in Kitsap County, Washington, legally described on Exhibit A hereto (together with all improvements now or hereafter thereon and all appurtenances, the "Property"), which Property has been acquired by Kitsap Community Resources using a combination of public and private funds from various sources in order to provide low-income housing in the City of Bremerton, Kitsap County, Washington. Depending upon the context, the term "Project" shall herein refer to (1) the acquisition of the Property, or (2) the 9-unit multifamily residential rental housing project to be developed.

B. Instruments to be Recorded Against the Property. Various parties providing loans, grants or other advances or contributions to assist in the financing of the Project have required as conditions of such funding that Owner execute and record against the Property certain instruments in the nature of covenants and agreements restricting the leasing, operation and/or management of the Property, and/or deeds of trust and other financing instruments securing the performance of certain monetary and other obligations.

C. Commerce's Interest. Kitsap Community Resources and Commerce are parties to that certain Capital Funding Contract #21-94115-004 signed by Kitsap Community Resources on March 5, 2025, and by Commerce on March 6, 2025 (the "Commerce Contract") whereby Commerce agreed to lend to Kitsap Community Resources up to \$4,497,247 (the "Commerce Loan"), to be used by Kitsap Community Resources to finance and/or refinance a portion of the costs of acquiring the Property. The Commerce Loan is evidenced by a Promissory Note signed by Kitsap Community Resources on March 5, 2025 (the "Commerce Note"), made by Kitsap Community Resources for the benefit of Commerce. Repayment of the Commerce Note is secured by a Deed of Trust in favor of Aegis Land Title Group, as trustee, and Commerce as beneficiary, recorded under Kitsap County recording no. 202502270321 (the "Commerce Deed of Trust"), encumbering the Owner's interest in the Property. In addition, Kitsap Community Resources executed a Low Income Housing Covenant Agreement recorded under Kitsap County recording number 202502270293 (the "Commerce Covenant"). All documents identified in this paragraph, and any documents executed by Kitsap Community Resources in connection therewith, are collectively referred to as the "Commerce Documents."

D. County's Interests (HOME Grant). Kitsap Community Resources and the County are parties to that certain HOME Grant Agreement with a stated term commencing 2/13/25, whereby the County has agreed to grant up to \$802,226 to Kitsap Community Resources (the "HOME Grant") to pay a portion of the costs of developing the Property. In connection with the HOME Grant, Kitsap Community Resources and County entered into a Low Income Housing Covenant Agreement dated as of 2/24, 2025, recorded under Kitsap County recording number 202502270001 (the "HOME Restrictive Covenant"). All documents identified in this paragraph, and any documents executed by Kitsap Community Resources in connection therewith, are collectively referred to as the "HOME Documents."

E. Purpose. The Parties desire to provide herein for the relative priority of the various covenants, deeds of trust, and other instruments to be recorded in connection with the Project, and to undertake certain covenants with respect to the subordination of the priority of their interests under recorded instruments in their favor to certain other instruments which may be put of record hereafter, as more particularly provided herein.

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 or lien on the Property was or shall be created or recorded, such interests and liens have and shall have the following priorities:

(a) First Priority. The Commerce Covenant shall have first priority. The liens, rights and interests of the Parties created under documents with a lesser priority as established in this Agreement are hereby made subordinate and subject to the rights and interests of Commerce under the Commerce Covenant. Subject to the terms of the Commerce Covenant, the Commerce Covenant shall survive foreclosure of any lien with a lesser priority as established in this Agreement and shall be binding upon any person that acquires the Property by means of such foreclosure or deed in lieu thereof or that is a successor to one who acquires the Property by such means, for so long as such person shall retain an interest in the Property.

(b) Second Priority. The HOME Restrictive Covenant shall have second priority. The liens, rights and interests of the Parties created under documents with a lesser priority as established in this Agreement are hereby made subordinate and subject to the rights and interests of County under the HOME Restrictive Covenant. Subject to the terms of the HOME Restrictive Covenant, the HOME Restrictive Covenant shall survive foreclosure of any lien with a lesser priority as established in this Agreement and shall be binding upon any person that acquires the Property by means of such foreclosure or deed in lieu thereof or that is a successor to one who acquires the Property by such means, for so long as such person shall retain an interest in the Property.

(c) Third Priority. The Commerce Deed of Trust shall be third in priority.

(d) For purposes of this Section, the lien or interest with “lesser priority” is the one with the higher numerical designation, so that, for example, “fourth priority” is a “lesser priority” than “third priority.”

(e) The Parties agree that except for such obligations as Kitsap Community Resources may have to other Parties hereto pursuant to agreements with such Parties: (i) the Parties do not have any obligations to each other to advance funds or to see to the application of their respective loan or grant proceeds, (ii) any application of such proceeds contrary to the terms of any loan or grant documents shall not defeat the subordinations granted herein in whole or in part, and (iii) nothing contained in this Agreement shall impair the right of any Party to pursue any right or remedy available to it in any of the agreements, covenants, regulatory agreements, deeds of trust or options referenced herein.

(f) The Parties acknowledge that the Commerce Covenant and the HOME Restrictive Covenant apply simultaneously and that the grantor thereunder is obligated to comply with each of them regardless of their relative priority or order of recording.

(f) It is acknowledged and agreed by the Parties that each of the Restrictive Covenants, subject to their respective provisions shall survive any action taken to transfer any interest in the Property. Subject to their respective provisions the Restrictive Covenants shall be binding upon any person acquiring the Property by means of foreclosure or deed in lieu thereof, or who shall succeed to an interest in the Property acquired in any manner, in each case for so long as such person shall retain an interest in the Property.

2. Insurance or Condemnation Proceeds. Notwithstanding any provision of the HOME Documents to the contrary, so long as any portion of the Commerce Loan is outstanding, in the event of any damage to, destruction of, or taking or condemnation (including deed in lieu thereof) of the Property or any portion thereof, the application of any insurance or condemnation proceeds shall be governed by the terms of the Commerce Documents.

3. Miscellaneous.

(a) Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the priority of each Party’s liens and interests in the Property described herein and all prior understandings and agreements on that subject are superseded hereby.

(b) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

(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 deposit in the U.S. mail, postage prepaid (one business day if sent by overnight courier), to the Parties hereto at the addresses set forth below, or to such other place as a Party may from time to time designate by notice to the other Parties. No transferee or successor of a

Party hereto shall be entitled to notices or opportunity to cure defaults hereunder unless notice of the transfer is given in accordance with this subsection.

Owner: Kitsap Community Resources
845 8th Street
Bremerton, Washington 98337
Attention: Executive Director

County: Kitsap County Department of Human Services
Block Grant Program
345 6th Street, Suite 400
Bremerton, Washington 98337

Commerce: State of Washington Department of Commerce
1011 Plum St. SE
P.O. Box 42525
Olympia, Washington 98504-2525

(d) Successors; Assignment. The heirs, administrators, assigns and successors-in-interest of the Parties shall be bound by this Agreement. This Agreement may be assigned by a Party only as a part of an assignment of such Party's loan or grant documents described in this Agreement.

(e) Amendment. This Agreement may be amended only by a writing signed by the Parties hereto, but this clause shall not impair the validity of any further agreements among fewer than all of the Parties hereto as among themselves.

(f) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument whether or not all Parties execute each counterpart.

(g) Completion of Recording Information. If this Agreement is signed without completion of certain recording information called for above, any title insurance company acting on the instructions of any Party is hereby authorized to insert such information prior to recording this Agreement.

(h) Consent to Other Parties' Documents. By executing this Agreement, each Party hereby acknowledges and consents to the execution of, and, where appropriate, the recording of, the documents described in the Recitals herein.

[Signature Pages to Follow.]

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

KITSAP COMMUNITY RESOURCES, a public body
corporate and politic of the State of Washington

By: UAK

Name: Anthony Ives

Title: Executive Director

OWNER ACKNOWLEDGMENT


[illegible]

I certify that I know or have satisfactory evidence that Jill Stanton is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Executive Director of the Kitsap Community Resources to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF I have hereunto set my hand and official seal this 7 day of March, 2025.

ANJULA SKINNER
Notary Public
State of Washington
Commission # 24018108
My Comm. Expires Jun 13, 2028

reunited to set my hand and official seal this 7 day


(Signature of Notary)

Anjula Shinner
(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,
residing at Port Orchard WA
My appointment expires 6/12/08

EXHIBIT A

LEGAL DESCRIPTION

Lots B and C of City of Bremerton Short Plat recorded under Auditor's File No. 9003060190, being a portion of the Northwest quarter of the Northeast quarter of Section 13, Township 24 North, Range 1 East, W.M., in Kitsap County, Washington.