

**After recording return to:**  
Behavioral Health Resources  
3857 Martin Way E  
Olympia, WA 98506

**PRIORITY AND SUBORDINATION AGREEMENT**

**Grantors:**

- 1. BHR B&B BUILDING LLC**
- 2. WASHINGTON STATE DEPARTMENT OF COMMERCE  
(MULTIFAMILY RENTAL HOUSING – HOUSING TRUST FUND  
PROGRAM, HOME RENTAL DEVELOPMENT PROGRAM)**
- 3. FEDERAL HOME LOAN BANK OF DES MOINES**
- 4. THURSTON COUNTY**
- 5. CITY OF OLYMPIA**

**Grantees:**

- 1. BHR B&B BUILDING LLC**
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(MULTIFAMILY RENTAL HOUSING – HOUSING TRUST FUND  
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- 4. THURSTON COUNTY**
- 5. CITY OF OLYMPIA**

**Abbreviated Legal Description:** Lot A, BLA No. BLA-25-3999-OL, Rec. 5074574

**Assessor's Tax Parcel Numbers:** 68902101100

<b>Reference Numbers:</b>	HTF Covenant
	HOME Covenant
	HTF Deed of Trust
	HOME Deed of Trust
	FHLBDM Covenant
	County Deed of Trust
	City Covenant
9401210206	January 14, 1994 Olympia CDBG Deed of Trust
9404120099	April 12, 1994 Olympia CDBG Deed of Trust
9506130079	June 13, 1995 Olympia CDBG Deed of Trust
3005409	December 18, 1995 Olympia CDBG Deed of Trust
3005409	December 18, 1995 Olympia CDBG Deed of Trust
3027293	May 1, 1996 Olympia CDBG Deed of Trust
3118683	November 5, 1997 Olympia CDBG Deed of Trust

THIS PRIORITY AND SUBORDINATION AGREEMENT (“Agreement”) is dated as of \_\_\_\_\_, 2026, and is executed by and among the following parties: **BHR B&B BUILDING LLC**, a Washington limited liability company (the “Company”); **BEHAVIORAL HEALTH RESOURCES**, a Washington nonprofit corporation (the “Sponsor”); **THE CITY OF OLYMPIA**, a Washington municipal corporation (the “City”), **FEDERAL HOME LOAN BANK OF DES MOINES**, an Iowa banking corporation (the “FHLBDM”); **WASHINGTON STATE DEPARTMENT OF COMMERCE**, a state agency (“Commerce”); and **THURSTON COUNTY**, a political subdivision of Washington (“County”), (collectively, the “Parties” and each individually, a “Party”). Commerce, City, FHLBDM, and County are collectively referred to herein as “Lenders” and each individually, a “Lender,” in each case so long as such Party’s deed of trust remains in effect as a lien on the Property (defined below).

### RECITALS

**A. Company’s Interest.** The Company owns the real property in Olympia, Thurston County, Washington, legally described as set forth on **Exhibit A** attached hereto (the “Property,” which includes all improvements now and hereafter constructed thereon, which Property will be developed using a combination of public and private funds from various sources, resulting in a 19-unit affordable apartment housing project (the “Project”). The Sponsor is the 100% owner, and sole member, of the Company. The Lenders have provided or committed financial assistance for the Project, as described below.

**B. County’s Interest.** County has agreed to make a loan to the Company in the amount of up to \$950,000.00 (the “County Loan”). The County Loan is made pursuant to that certain Construction Loan Agreement (the “County Loan Agreement”) and is evidenced by a promissory note made by the Company in favor of County in the principal amount of up to \$950,000.00 (the “County Note”). Repayment of the County Note is secured by, among other security documents, a Deed of Trust granted by the Company in favor of \_\_\_\_\_, as trustee, and County as beneficiary, recorded under Thurston County recording no. \_\_\_\_\_ (the “County Construction Deed of Trust”), encumbering the Company’s fee interest in the Property and other personal property described in the County Deed of Trust. All documents identified in this paragraph and all documents executed by the Company in connection with the County Construction Loan are referred to collectively as the “County Loan Documents.”

**C. FHLBDM’s Interests.** FHLBDM has agreed to make a subsidy to the Company in an amount of up to \$1,700,000.00 (the “FHLBDM Subsidy”). The FHLBDM Subsidy is made pursuant to that certain Affordable Housing Program Subsidy Agreement for Rental Project (Direct Subsidy) (the “FHLBDM Subsidy Agreement”). FHLBDM and the Company have entered into an Agreement for Covenants and Restrictions granted by the Company in favor of FHLBDM,

recorded under Thurston County recording no. \_\_\_\_\_ (the "FHLBDM Covenant"), encumbering the Company's fee interest in the Property.

**D. Commerce's Interests.**

- a. Commerce and the Sponsor entered into a Housing Trust Fund Program Contract Number \_\_\_\_\_ (the "HTF Contract"). Pursuant to the HTF Contract, the Sponsor executed one or more Promissory Note(s) in the aggregate principal amount of \$2,448,168 in favor of Commerce (collectively, the "HTF Note"). The HTF Note is secured by that certain Deed of Trust, executed by the Company, naming \_\_\_\_\_ as trustee, and recorded under Thurston County recording no. \_\_\_\_\_ (the "HTF Deed of Trust"). In addition, in connection with the HTF Contract, the Company executed that certain Low Income Housing Covenant Agreement recorded under Thurston County recording no. \_\_\_\_\_ (the "HTF Covenant").
- b. Commerce and the Sponsor entered into a HOME Rental Development Program contract No. \_\_\_\_\_ (the "HOME Contract"). Pursuant to the HOME Contract, the Sponsor executed a Promissory Note in the principal amount of \$2,076,051 in favor of State (the "HOME Note"). The HOME Note is secured by that certain Deed of Trust, executed by the Company, naming \_\_\_\_\_ as trustee, and recorded under Thurston County recording no. \_\_\_\_\_ (the "HOME Deed of Trust"). In addition, in connection with the HOME Contract, the Company executed that certain Restrictive Covenant recorded under Thurston County recording no. \_\_\_\_\_ (the "HOME Covenant").
- c. All documents identified in this Recital D, and any documents executed by Commerce, Sponsor or the Company in connection therewith, are collectively referred to as the "Commerce Loan Documents." References to the "HTF Deed of Trust" or the "HOME Deed of Trust" include all modifications, extensions, renewals or replacements of the respective deed of trust.

**E. City's Interests.** City and the Company entered into a Partial Impact Fee Exemption Agreement (the "Exemption Agreement"). Pursuant to the Exemption Agreement, the Company executed that certain Restrictive Covenant recorded under Thurston County recording no. \_\_\_\_\_ (the "City Covenant"). Additionally, prior to the execution of this Agreement, the City made a series of loans to the Company, Sponsor, or their predecessors-in-interest associated with Community Development Block Grant activities, secured by instruments described more fully below:

- a. A January 14, 1994 Deed of Trust securing a \$25,000.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 9401210206 (the “1/14/94 CDBG Deed of Trust”);
- b. An April 12, 1994 Deed of Trust securing a \$10,000.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 9404120099 (the “4/12/94 CDBG Deed of Trust”);
- c. A June 13, 1995 Deed of Trust securing a \$22,000.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 9506130079 (the “6/13/95 CDBG Deed of Trust ”);
- d. A December 18, 1995 Deed of Trust securing a \$26,000.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 3005409 (the “12/18/95 CDBG Deed of Trust”);
- e. A May 1, 1996 Deed of Trust securing a \$1,100.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 3027293 (the “5/1/96 CDBG Deed of Trust”);
- f. A November 5, 1997 Deed of Trust securing a \$5,000.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 3118683 (the “11/5/97 CDBG Deed of Trust”);
- g. A March 30, 2011 Deed of Trust securing a \$54,875.00 loan, naming Thurston County Title Company as Trustee, recorded under Thurston County recording no. 4204513 (the “3/30/11 CDBG Deed of Trust”);
- h. The deeds of trust listed in subsections a. through g. above are sometimes referred to herein, collectively, as the “Original CDBG Deeds of Trust”.

**F. Definitions.** The deeds of trust described in Paragraphs B, D, and E above may be referred to collectively hereinafter as the “Deeds of Trust.” The covenants and regulatory agreements described in Paragraphs C, D, and E above may be referred to collectively hereinafter as the “Covenants.” 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 incorporated, integral part of this Agreement.

**G. Purpose.** The Parties wish to enter into this Agreement in order to establish their respective rights and priorities regarding the Property and the Documents, all as more fully set forth herein.

## **AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **1. Document Priority.**

- a. The Parties hereto agree that the documents, instruments, and rights identified and described above, regardless of recording order, shall have priority in the order set forth

below in this Section, with the most senior of the respective documents and instruments listed first:

- i. HTF Covenant
  - ii. HOME Covenant
  - iii. HTF Deed of Trust
  - iv. HOME Deed of Trust
  - v. County Construction Deed of Trust
  - vi. City Covenant
  - vii. FHLBDM Covenant
  - viii. 11/5/97 CDBG Deed of Trust
  - ix. 5/1/96 CDBG Deed of Trust
  - x. 12/18/95 CDBG Deed of Trust
  - xi. 6/13/95 CDBG Deed of Trust
  - xii. 4/12/94 CDBG Deed of Trust
  - xiii. 1/14/94 CDBG Deed of Trust
  - xiv. 3/30/11 CDBG Deed of Trust
- b. Any Uniform Commercial Code financing statement or fixture filing recorded or filed in connection with any Deed of Trust or any loan referenced in this Agreement shall have the same relative priority or subordination as the Deed of Trust and loan to which such financing statement or fixture filing relates.
  - c. The Covenants shall survive any foreclosure sale, trustee's sale, or deed in lieu thereof under any of the Deeds of Trust and shall be binding on any person acquiring the Property by any such means, 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, subject to the terms of each of the Covenants regarding the termination thereof.
  - d. Regardless of priority as among the Covenants, Company, its successors, and any other parties obligated thereunder shall be obligated to comply with the provisions of each Covenant except as expressly provided herein. The Parties hereto acknowledge that the Covenants apply simultaneously and that the grantors thereunder are obligated to comply with each of them regardless of the relative priority or order of recording of the Covenants.
  - e. Sponsor agrees that if it acquires the Property or a part thereof, it shall be bound and obligated as a grantor under all of the terms of the Documents then in effect.
2. **Reliance by Lenders; Consent.** It is understood by the parties hereto that the Lenders would not enter into their respective Documents without this Agreement. The Company and Sponsor consent to all terms hereof.

3. **Insurance or Condemnation Proceeds.** Notwithstanding any provision of any Lender's deed of trust or other loan document to the contrary, 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, any insurance or condemnation proceeds shall be applied first to repair or restoration of the Property and any amounts secured by any Lenders' deed of trust shall not be accelerated as a result of any casualty loss or condemnation.
4. [Reserved]
5. [Reserved]
6. [Reserved]
7. **Cross-Defaults.** Each Lender agrees to provide notice to the other Lenders of an event of default and intent to pursue remedies under such Lender's Documents at least thirty (30) days prior to exercising remedies under such Documents, except that for any actions (not including acceleration, foreclosure, or seeking a receiver) that Commerce determines are reasonably necessary to be taken sooner to protect its security, protect tenants, or address conditions that may affect health or safety, Commerce may give such shorter notice as is practicable in the circumstances. Except as set forth in this Section 7, and notwithstanding anything to the contrary in the Documents, any default under any of the Lenders' loan documents that, after being declared by the Lender entitled to declare such default, is not cured or waived by such Lender within the applicable cure period set forth therein or such longer period as may be allowed by the Lender declaring such default, shall constitute an event of default ("Cross-default") under each of the Lenders' Documents. Notwithstanding the foregoing, if a default under a Lender's loan document occurs that constitutes a Cross-default and such Lender thereafter accepts a cure of or waives the default, then the other Lenders shall be deemed to have accepted such cure as a cure of said Cross-default and such other Lenders shall rescind any notice of acceleration (if any) of their respective loans unless there is an uncured default other than a Cross-default. Unless and until there is a Cross-default under this Section, no Lender shall accelerate any indebtedness of the Company or seek remedies against the Company based solely upon a breach or default by the Company under the Company's agreements with a different Lender.
8. [Reserved]
9. [Reserved]
10. **Acknowledgements.** The Lenders hereby each agree and acknowledge, solely for the benefit of all other Lenders, and the Sponsor hereby agrees and acknowledges for the benefit of all Lenders, as follows:
  - a. For purposes of this Agreement, (i) the Lenders acknowledge that each has been provided the opportunity to review the other Lenders' Loan Documents before

executing this Agreement and (ii) the Sponsor acknowledges that it has been provided the opportunity to review the Lenders' Loan Documents before executing this Agreement;

- b. No Lender has made any warranty or representation of any kind or nature whatsoever to the other Lenders or to the Sponsor with respect to (i) the application of the proceeds of its loans, (ii) the value of the Property, the improvements to be constructed thereon, or the marketability or value thereof upon completion of such construction, or (iii) the ability of the Company to honor its covenants and agreements with the Lenders;
- c. Lender's release of any security for its loan, including, without limitation, the reconveyance of any portion of the Property from the lien of a deed of trust, shall not constitute a waiver or relinquishment of the Commerce's, City's, County's, FHBLDM's, or Sponsor's respective unconditional subordinations of the liens or charges of any other Deed of Trust or Covenant against the Property, or any other subordinations hereunder;
- d. No Lender by reason of this Agreement has any duty to disclose to the other Lenders or to the Sponsor any facts that a Lender may now know or hereafter know about the Company or the members, sponsors, or successors of the Company, regardless of whether (i) the Lender has reason to believe that any such facts may increase materially the risk beyond that which any other Lender or the Sponsor intends to assume, (ii) the Lender may have reason to believe that such facts are unknown to another Lender or the Sponsor, or (iii) the Lender has a reasonable opportunity to communicate such facts to another Lender or the Sponsor, it being understood and agreed that each Lender and the Sponsor is fully responsible for being and keeping informed of the financial condition of the Company and/or any partners, sponsors or successors of the Company and of all circumstances bearing on the risk of non-payment of any indebtedness of the Company to the Lenders or the Sponsor as described in this Agreement; and
- e. The Lenders and the Sponsor have each made such independent legal and factual inquiries and examinations as such Party deems necessary or desirable and are not relying on any inquiries or examinations made by the other Lenders or on information from the other Lenders concerning the Company, Sponsor, the Property or the Project.

#### 11. Miscellaneous.

- a. **Entire Agreement.** This Agreement comprises the entire agreement among the parties with respect to the priority of each Party's loans and liens upon and interests in the Property, and all prior understandings or agreements on that subject are superseded hereby, provided that nothing herein shall supersede any separate agreement between Commerce, County, City, FHLBDM and Sponsor by which Sponsor's rights to any payments are subordinated or restricted.

- b. **Applicable Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of State of Washington. Venue of any action or proceeding to enforce, interpret or otherwise related hereto shall lie in Thurston County, Washington.
- c. **Successors; Assignment.** This Agreement is for the benefit of the Commerce, County, City, FHLBDM, and their respective successors and assigns, in each case for so long as such Party's Deed of Trust or Covenant, or both, remains in effect with respect to the Property or any part thereof, and any provision hereof may be waived or modified by written agreement among all of them, or so many of them as are affected thereby, without the consent of the Company or Sponsor and without affecting the priority of the liens and interests of the other Parties. The heirs, administrators, assigns, and successors-in-interest of the parties hereto shall be bound by this Agreement. This Agreement may be assigned by a Party only as a part of an assignment of that Party's entire interest in the Property or its loan secured by one of the deeds of trust described herein.
- d. **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, two (2) business days after deposit in the U.S. mail, postage prepaid, or one (1) 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. For purposes of this subsection, a "business day" is any day other than a Saturday, Sunday, statutory federal or Washington state bank holiday.

Commerce-	Washington State Department of Commerce 1500 Jefferson Street SE Olympia, WA 98501 P.O. Box 42525 Olympia, Washington 98504-2525 Attention: Contracts Specialist Email: <a href="mailto:htfportfoliomgmt@commerce.wa.gov">htfportfoliomgmt@commerce.wa.gov</a>
The County	Thurston County County Public Health and Social Services 412 Lilly Rd NE Olympia, WA 98506
The City	City of Olympia ATTN: CDBG Program Manager PO Box 1967 Olympia, WA 98507

	Email: aeverett@ci.olympia.wa.us
FHLBDM	Federal Home Loan Bank of Des Moines 909 Locust Street, Suite 201 Des Moines, IA 50309 Email: CommunityInvestment@fhlbdm.com
Company	BHR B&B Building LLC 3857 Martin Way E Olympia, WA 98506 Email: iharrel@bhr.org
Sponsor	Behavioral Health Resources 3857 Martin Way E Olympia, WA 98506 Email: iharrel@bhr.org

- e. **Amendment.** Except as stated in subsection c. of this Section, this Agreement may be amended only by a writing signed by the Parties hereto, but this subsection 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 and 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 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.
- h. **Attorney Fees.** If any Party shall bring an action against any other Party by reason of the breach of any covenant, provision, or condition of this Agreement, or otherwise arising out of this Agreement, the unsuccessful Party (but not including Commerce) shall pay to the prevailing party reasonable attorneys' fees, which fees shall be payable whether or not any action is prosecuted to judgment. The term "prevailing party" shall include, without limitation, a Party who brings an action against the other by reason of the other's breach or default and obtains substantially the relief sought, whether by compromise, settlement, or judgment.

- i. **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 by the Company and the other Parties thereto. Notwithstanding such consent, the terms hereof, the terms of any such Documents, and the acceptance by Lenders of their respective liens and other rights and interests under these Documents, a Lender shall not, prior to any acquisition of title to the Property by such Lender, be liable or responsible for any obligation of the Company under such Documents, or of any "Owner" as defined in any such documents.
  
- j. **Commerce Approvals.** Commerce executes this Agreement solely in its respective capacities: through the Housing Trust Fund with the Department of Commerce, as the beneficiary under Commerce Loan Documents, and nothing herein shall affect the rights or interests of Commerce with respect to encumbrances on the Property that are not described herein, and nothing herein shall be construed as any commitment, representation or assurance by the Commerce with regard to any action or approval that may be required by any of it for the Project or Property. It is understood that such actions and approvals depend on determinations and decisions of other governmental departments and officials, and it is the obligation of the Company to comply with all relevant conditions and requirements and to obtain all necessary approvals.

*[SIGNATURE PAGE(S) FOLLOW]*













**EXHIBIT A**

**LEGAL DESCRIPTION**

LOT A OF BOUNDARY LINE ADJUSTMENT FOR LOT CONSOLIDATION, BLA-25-3999-OL,  
RECORDED OCTOBER 9, 2025 AS RECORDING NO. 5074574, RECORDS OF THURSTON  
COUNTY, WASHINGTON.

SITUATE IN COUNTY OF THURSTON, STATE OF WASHINGTON.

