

Return Address:
GE Financial Assurance
P. O. Box 490
Seattle, WA 98111-0490
Loan No. 3491

199909130459
Kathy Hill, Skagit County Auditor
9/13/1999 Page 1 of 10 4:16:41PM



199909140070
Kathy Hill, Skagit County Auditor
9/14/1999 Page 1 of 10 3:32:54PM

ISLAND TITLE CO.
SC-14817 ✓

SUBORDINATION AND RECOGNITION AGREEMENT

Grantors:

1. ROUNDTOP CO., a Washington corporation
2. AMBER INVESTMENTS, L.L.C.
3. KELVIN-BURLINGTON, L.L.C., a Washington limited liability company
4. BRENT C. NICHOLSON, L.L.C., a Washington limited liability company

Grantee:

1. GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY, a Delaware corporation

Legal Description:

1. Abbreviated form: Lot 3, Fred Meyer Retail Store Binding Site Plan, Volume 11 of Short Plats, pages 41 through 48; ptm. SW NW, Sec. 5, T34N, R4E W.M.
2. Additional legal description is on page 8 of document

Assessor's Property Tax Parcel Account Number(s): 8013-000-003-0000

RE-RECORDED TO CORRECT SUPPLEMENTAL AGREEMENT AUDITOR'S FILE NUMBER

GNAWADOT

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Recording Requested By and
When Recorded Mail To:
GE Financial Assurance
P. O. Box 490
Seattle, WA 98111-0490
Loan No. 3491

SUBORDINATION AND RECOGNITION AGREEMENT

THIS AGREEMENT is made as of the 13TH day of SEPTEMBER, 1999, by and among ROUNDUP CO., a Washington corporation ("Declarant"), AMBER INVESTMENTS, L.L.C., a Washington limited liability company, KELVIN-BURLINGTON, L.L.C., a Washington limited liability company, and BRENT C. NICHOLSON, L.L.C., a Washington limited liability company (collectively, "Owner"), and GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY, a Delaware corporation ("Lender").

RECITALS

A. Lender has issued a commitment to make a \$1,240,000.00 loan (the "Loan") to Owner. The Loan will be secured by a Deed of Trust, Assignment of Rents and Leases, and Security Agreement (the "Deed of Trust") encumbering the real property (the "Property") legally described on Exhibit A attached to this Agreement. The Deed of Trust is being recorded concurrently with this Agreement. RECORDED UNDER AUDITOR'S FILE NO.: 199909130157

B. Declarant is the holder of an option to purchase the Property (the "Purchase Option") under a Declaration of Covenants, Conditions, Restrictions and Easements recorded September 10, 1993 under Auditor's File No. 9309100062, records of Skagit County, Washington (the "Original Declaration"), as amended by Amendment No. 1 to Declaration of Covenants, Conditions, Restrictions and Easements recorded October 16, 1996 under Auditor's File No. 9610160077, records of said County (the "Amendment"), and amended by Supplemental Agreement recorded October 27, 1997 under Auditor's File No. 9710270137/199909130157 (the "Supplemental Agreement"). The Original Declaration, the Amendment and the Supplemental Agreement are collectively referred to in this Agreement as the "Declaration." *9710270137 **RE-RECORDED TO CORRECT SUPPLEMENTAL AGREEMENT AUDITOR'S FILE NUMBER**

C. Lender's commitment to make the Loan is conditioned upon Declarant agreeing to subordinate the Purchase Option to the Deed of Trust and agreeing to certain other matters as set forth in this Agreement, in exchange for Lender's agreement that the Purchase Option shall remain exercisable according to its terms, provided that upon exercise the entire amount owing under the Loan is paid in full.



Kathy Hill, Skagit County Auditor
199909140070
9/14/1999 Page 2 of 10 3:32:54PM



Kathy Hill, Skagit County Auditor
199909130159
9/13/1999 Page 2 of 10 4:15:41PM

NOW, THEREFORE, the parties agree as follows:

1. Declarant's Representations, Warranties and Acknowledgements. Declarant represents, warrants and acknowledges to Lender as follows:

(a) Declarant represents and warrants that Declarant is the owner and holder of the Purchase Option set forth in the Declaration.

(b) Declarant acknowledges that Lender would not make the Loan without this Agreement, and that Lender will rely on this Agreement in making the Loan.

2. Subordination. Declarant subordinates the Purchase Option and all its rights thereunder, and all its rights in and to the Property by virtue of the Purchase Option, to the lien of the Deed of Trust and to any and all renewals, modifications and extensions of the Deed of Trust and the indebtedness secured thereby.

3. Recognition and Survival of Rights to Purchase. Notwithstanding the foregoing subordination, Lender acknowledges and agrees that Declarant's rights to purchase the Property under and pursuant to the Purchase Option shall survive any foreclosure or other proceeding brought to enforce the Deed of Trust and shall also survive any deed given in lieu of foreclosure. All such rights shall remain exercisable, upon and subject to the terms of the Purchase Option, after foreclosure of the Deed of Trust or deed given in lieu of foreclosure. It is the specifically stated intent of this Agreement that the Purchase Option shall not be disturbed, cut off or impaired by any such foreclosure or other proceeding or deed given in lieu of foreclosure.

4. Exercise of Purchase Option.

(a) Purchase Price. Notwithstanding paragraphs 2 and 3 above, Declarant, Owner and Lender agree that Declarant may exercise the Purchase Option according to its terms, provided that upon any such exercise, the price to be paid by Declarant for the Property shall be equal to the greater of (A) the Property's fair market value, determined in accordance with the Supplemental Agreement, or (B) the outstanding balance of the Loan (principal, interest, fees [including any applicable prepayment fee], costs and expenses) as of the date Declarant acquires title to the Property. However, if, prior to Declarant's exercise of the Purchase Option, Lender or any other person has acquired title to the Property, whether by foreclosure or other proceeding or deed given in lieu of foreclosure, the purchase price shall be equal to the Property's fair market value, determined in accordance with the Supplemental Agreement.

(b) Vacant Possession. The term "vacant possession," as used in paragraph 4.6 of Exhibit 3 to the Original Declaration shall, when used with respect to the Property, be construed so as to apply only to the portion(s) of the Property as to which both (i) the discontinuation of the operation of business provided the basis for the Notice of Exercise under

18388



199909140070
Kathy Hill, Skagit County Auditor
9/14/1999 Page 3 of 10 3:32:54PM



199909130159
Kathy Hill, Skagit County Auditor
9/13/1999 Page 3 of 10 4:16:41PM

paragraph 4.2 of the Original Declaration and (ii) the operation of business has not resumed as of the date Declarant acquires title to the Property.

5. Lender as Mortgage Lender. Declarant acknowledges that this Agreement constitutes a Mortgage Notice (as defined in the Supplemental Agreement) from Owner to Declarant, and that Lender is entitled to all notices and other rights of a Mortgage Lender under the Supplemental Agreement. Notwithstanding the foregoing, Lender shall have no obligation to exercise any such right or rights, and Declarant acknowledges and agrees that Lender's failure to exercise all or any of such rights shall not defeat the foregoing subordination or any other provision of this Agreement in whole or in part.

6. Costs and Attorneys' Fees. In the event of any claim or dispute arising out of this Agreement, the party that substantially prevails shall be awarded, in addition to all other relief, all attorneys' fees and other costs and expenses incurred in connection with the claim or dispute, including without limitation those fees, costs and expenses incurred before, during or after suit, in any arbitration, in any appeal, in any proceedings under any present or future bankruptcy act or state receivership, and in any post-judgment proceedings.

7. No Modification of Purchase Option. Declarant and Owner covenant and agree with Lender that they will not enter into any modification or amendment of the Purchase Option without Lender's prior written consent.

8. Notices. Any notices under this Agreement shall be in writing and shall be personally delivered or mailed, postage prepaid, certified or registered mail, return receipt requested. Any notice sent to a party to this Agreement shall be sent to the party at the address below its signature hereon. Each mailed notice shall be deemed given three (3) days after its postmark. Any party may change its address by notice to the other parties.

9. Miscellaneous. This Agreement shall be the whole and only agreement with regard to the subordination set forth in this Agreement, and shall control over the Declaration to the extent of any inconsistency between the Declaration and this Agreement. This Agreement may not be modified except in a writing executed by the parties or their successors in interest. This Agreement shall be binding upon and shall inure to the benefit of the parties and their heirs, administrators, representatives, successors, and assigns. This Agreement may be executed in counterparts, in which case all originals together shall constitute a single instrument.



199909140070
Kathy Hill, Skagit County Auditor
9/14/1999 Page 4 of 10 3:32:54PM

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199909130159
Kathy Hill, Skagit County Auditor
9/13/1999 Page 4 of 10 4:15:41PM

DATED as of the day and year first above written.

"LENDER"

GENERAL ELECTRIC CAPITAL ASSURANCE
COMPANY, a Delaware corporation

By: Chaire Dinkler
Its: Loan Closing Specialist

Address:

P. O. Box 490
Seattle, Washington 98111-0490

"DECLARANT"

ROUNDUP CO., a Washington corporation

By: Paul D. Wippl

Its: Vice President

Address:

PO Box 42121

Portland, Oregon 97242

"OWNER"

AMBER INVESTMENTS, L.L.C., a Washington
limited liability company

By: Adrienne Lau Trustee

Adrienne Lau, as Trustee of the Adrienne
Lau Revocable Living Trust Agreement
dated November 17, 1988, as amended,
Member

Address:



199909140070
Kathy Hill, Skagit County Auditor
9/14/1999 Page 5 of 10 3:32:64PM

183



199909130159
Kathy Hill, Skagit County Auditor
9/13/1999 Page 5 of 10 4:16:41PM

KELVIN-BURLINGTON, L.L.C., a Washington
limited liability company

By: _____

J. Terry Moss, Member

Address: _____

4620-25th Ave NE
Bellevue WA
98004

BRENT C. NICHOLSON, L.L.C., a Washington
limited liability company

By: _____

Brent C. Nicholson, Member

Address: _____

c/o Nicholson Development Properties, L.L.C.
2333 Carillon Point
Kirkland, Washington 98033



199909140070

Kathy Hill, Skagit County Auditor
9/14/1999 Page 6 of 10 3:32:54PM

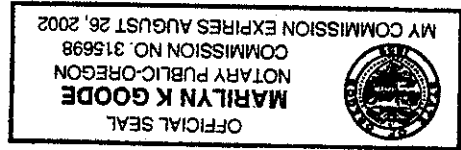


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Kathy Hill, Skagit County Auditor
9/13/1999 Page 6 of 10 4:15:41PM



My appointment expires: August 26, 2002
Name (printed or typed): MARILYN K. GOODE
residing at 3800 SE 22nd Ave
Notary Public in And For the State of Oregon

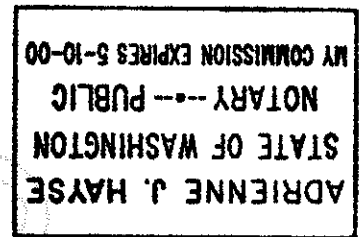


DATED this 19 day of August, 1999.

I certify that I know or have satisfactory evidence that Arthur J. Whipple 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 Manager Vice President of ROUNDUP CO. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

STATE OF Oregon
County of Multnomah
SS.)
)
)

My appointment expires: 5-10-2000
Name (printed or typed): Adrienne J. Hayse
residing at Seattle
Notary Public in And For the State of Washington,



DATED this 1st day of September, 1999.

I certify that I know or have satisfactory evidence that Cherie Konkler 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 Loan Closing Specialist of GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

STATE OF WASHINGTON
County of King
SS.)
)
)

I certify that I know or have satisfactory evidence that ADRIENNE LAU is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Member of AMBER INVESTMENTS, L.L.C., a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Owner's Acknowledgment
STATE OF Hawaii
County of Honolulu
)
) ss.
)

DATED this 3rd day of September, 1999.



Notary Public in And For the State of Hawaii
residing at CITY AND COUNTY OF HONOLULU
Name (printed or typed): RUSSELL L. CHING
My appointment expires: MAY 16, 2000

I certify that I know or have satisfactory evidence that J. TERRY MOSS is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as a member of KELVIN-BURLINGTON, L.L.C., a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Owner's Acknowledgment
STATE OF WASHINGTON
County of King
)
) ss.
)

DATED this 23 day of August, 1999.



Notary Public in And For the State of Washington,
residing at Issaquah
Name (printed or typed): Norma Ferchaud
My appointment expires: 7-17-03



9/13/1999 Page 9 of 10 4:15:41PM

Kathy Hill, Skagit County Auditor

199909130159



9/14/1999 Page 9 of 10 3:32:54PM

Kathy Hill, Skagit County Auditor

199909140070



Norma Ferchaud
Notary Public in And For the State of Washington,
residing at *Issaquah*
Name (printed or typed): *Norma Ferchaud*
My appointment expires: *7-17-03*



DATED this *23* day of *August*, 1999.

I certify that I know or have satisfactory evidence that BRENT C. NICHOLSON is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as a member of BRENT C. NICHOLSON, L.L.C., a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Owner's Acknowledgment
STATE OF WASHINGTON
County of *King*
)
) ss.
)

EXHIBIT A

Legal Description:

Lot 3, FRED MEYER RETAIL STORE BINDING SITE PLAN, approved December 29, 1993, and recorded January 10, 1994, in Volume 11 of Short Plats, pages 41 through 48, under Auditor's File No. 9401100038, records of Skagit County, Washington, and as amended by that map recorded on November 3, 1997, in Volume 13 of Short Plats, page 57, under Auditor's File No. 9711030141, records of Skagit County, Washington; being a portion of the Southwest Quarter of the Northwest Quarter of Section 5, Township 34 North, Range 4 East of the Williamette Meridian.

199909140070
Kathy Hill, Skagit County Auditor
9/14/1999 Page 10 of 10 3:32:54PM



199909130159
Kathy Hill, Skagit County Auditor
9/13/1999 Page 10 of 10 4:16:41PM