

After recording return to:

HORIZON BANK



200001210008

Kathy Hill, Skagit County Auditor

1/21/2000 Page 1 of 3 9:41:18AM

60842-4 **SUBORDINATION AGREEMENT**
FIRST AMERICAN TITLE CO.

THIS SUBORDINATION AGREEMENT dated this 19TH day of January, 2000, is by and between THE CITY OF MOUNT VERNON, a Washington municipal corporation, hereinafter referred to as "MOUNT VERNON", and HORIZON BANK, a Washington banking corporation, hereinafter referred to as "HORIZON", and is made in consideration of the following.

1. Recitals.

MOUNT VERNON has entered into a written Lease dated the 19TH day of JANUARY, 2000, between MOUNT VERNON as Landlord, and S.K.Y. DOMES ENTERPRISES, INC., a Washington corporation, as tenant. HORIZON has agreed to provide financing to the tenant and as a condition to providing such financing requires a first and superior lien and security interest in and to the building and improvements to be constructed upon the premises leased from MOUNT VERNON to tenant and further requires a first and superior lien and security interest in and to all fixtures, equipment and personal property owned by the tenant to be located upon and within the improvements on the leased premises.

MOUNT VERNON likewise desires to obtain a security interest in and to the building and improvements to be constructed upon the premises together with a security interest in and to all fixtures, equipment and personal property of tenant located on the premises. MOUNT VERNON and HORIZON agree that HORIZON's security interest is to be a first and superior lien and security interest on the building

and improvements, fixtures, equipment and personal property, and that MOUNT VERNON's interest will be secondary and inferior to the interest of HORIZON. To this end MOUNT VERNON is willing to enter into this Subordination Agreement whereby MOUNT VERNON acknowledges that its security interest in and to the building and improvements, fixtures, equipment and personal property is inferior to the security interest of HORIZON. DT AF# 200001210006

MOUNT VERNON's security interest arises out of the terms and conditions of its Lease with the tenant, which Lease or a Memorandum thereof has been recorded in the Auditor's Office of Skagit County, Washington, under File No. AF# 200001210005. The parties further agree that this Subordination Agreement will likewise be recorded with the Auditor's Office of Skagit County.

2. Legal Description.

The legal description of the real property leased to tenant by MOUNT VERNON is attached hereto and designated "Exhibit A".

3. Subordination Agreement.

For good and valuable consideration MOUNT VERNON does hereby agree to subordinate its security interest in and to the building and improvements, fixtures, equipment and personal property located on the real property designated as Exhibit A to the security interest of HORIZON as evidenced by HORIZON's Deed of Trust and UCC Security Agreement. MOUNT VERNON hereby waives the priority, if any, of its security interest in favor of the security interest in HORIZON and agrees that in the event of foreclosure of the Deed of Trust or the UCC Security Agreement, that in the event of sale the proceeds from such sale shall first be applied to the obligation or obligations running from tenant to HORIZON and secondly to the obligations running to MOUNT VERNON arising out of the security interest of MOUNT VERNON contained in the Lease between MOUNT VERNON and tenant. By execution of this Agreement, MOUNT VERNON hereby waives any priority of the security interest arising out of its Lease in favor of the security interests of HORIZON arising out of its Deed of Trust and/or UCC Security Agreement to the same extent as if the Deed of Trust and/or



UCC Security Agreement had been executed, delivered and recorded prior to any documents evidencing the security interest of MOUNT VERNON. The parties further agree that any sale of said building and improvements under and by virtue of said Deed of Trust, whether by judicial proceedings, public auction, or private sale, shall be made expressly subject to the aforesaid Lease.

4. Successors and Assigns.

This Agreement shall be binding on the successors and assigns of the parties to this Agreement.

DATED the day and year first above written.

HORIZON BANK:

By [Signature]

CITY OF MOUNT VERNON:

By [Signature]

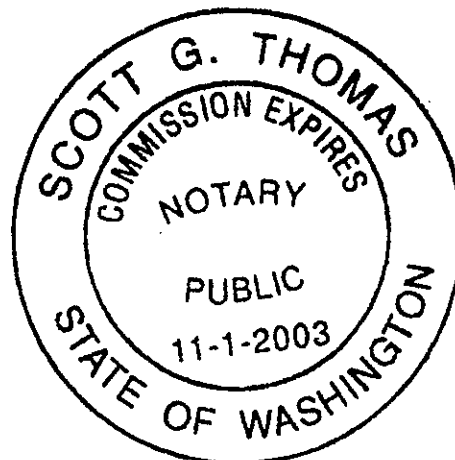
STATE OF WASHINGTON)

ss.

COUNTY OF SKAGIT)

On this 19TH day of January, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared LARRY OTOS, to me known to be the PARKS DIRECTOR of The City of Mount Vernon, a municipal corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.



[Signature]
Notary Public in and for
the State of Washington,
residing at Mount Vernon
Appt. expires: 11-1-2003

