



200108070101
Skagit County Auditor
8/7/2001 Page 1 of 7 3:23:48PM

AFTER RECORDING RETURN TO:

BANK OF AMERICA, N.A.
NW CLSC REAL ESTATE
P.O. BOX 3545
SEATTLE, WA 98124-3545
Attention: Cheri Hochstrasser

WASHINGTON STATE COUNTY AUDITOR'S/RECORDER'S INFORMATION
(RCW 65.04): **ISLAND TITLE CO.**

B-18499

INSTRUMENT TITLES: SUBORDINATION AGREEMENT

GRANTOR(S):

- 1. NORTHWEST HOT SPRING SPAS, INC.
A WASHINGTON CORPORATION (TENANT)
- 2. PATRICK D. HYATT (LANDLORD)
CORRINE M. HYATT (LANDLORD)

GRANTEE(S): BANK OF AMERICA, N.A.

LEGAL DESCRIPTION:

ABBREVIATED: TRACT 1B OF CITY OF BURLINGTON SHORT PLAT 3-81
BEING A PORTION OF NW SE, SEC.6, T34N, R4EWM

FOR THE FULL LEGAL DESCRIPTION SEE EXHIBIT "A" TO THIS DOCUMENT

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(S):
340406-4-005-0403

REFERENCE NUMBER OF RELATED DOCUMENTS:

- 1. Grantor Lease recording no. _____
- 2. Grantee Deed of Trust recording no. 200108070100

Loan No. 3127669

LEASE SUBORDINATION AGREEMENT

THIS LEASE SUBORDINATION AGREEMENT ("Agreement"), made and entered into as of July 31, 2001, by and between **NORTHWEST HOT SPRING SPAS, INC. a Washington corporation ("Tenant")**, whose address is 507 Fisher Lane, Burlington, WA. 98223, and **BANK OF AMERICA, N.A.**, and its universal successors and assigns ("**Lender**"), whose address is Attention: Captial Markets Servicing Group Servicing Manager, 333 S. Beaudry, 26th Floor, Los Angeles, CA 90017, with respect to the following facts:

RECITALS:

A. Tenant is the present tenant under an agreement dated January 1, 2001, and any amendments thereto (the "**Lease**"), with **PATRICK D. HYATT and CORRINE M. HYATT** as "**Landlord**", for premises described in the Lease (the "**Premises**"), and being all or a portion of the property described in Exhibit "A" hereto. Lender is making a loan,

the repayment of which is to be secured by a Deed of Trust (the "Deed of Trust") encumbering the property described in Exhibit "A"; and

B. It is a condition of the loan by Lender that Tenant unconditionally subordinate the Lease and all of Tenant's interest in the Premises in all respects to Lender's Deed of Trust.

AGREEMENT:

NOW, THEREFORE, in consideration of mutual benefits to be derived herefrom and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the understanding that Lender will act in reliance hereon, it is hereby agreed as follows:

1. **SUBORDINATION.** The Lease, and the rights of Tenant in, to or under the Lease and the Premises including, without limitation, any claim by Tenant to insurance proceeds and condemnation awards are unconditionally subject and subordinate and shall remain in all respects and for all purposes unconditionally subject, subordinate and junior to the encumbrance of the Deed of Trust and to all renewals, extensions, modifications and amendments of the Deed of Trust and of the loan and/or other obligations secured by the Deed of Trust, and to the rights and interest of the from time-to-time holder of the Deed of Trust, as fully and with the same effect as if the Deed of Trust had been duly executed, acknowledged and recorded, and the indebtedness secured thereby had been fully disbursed prior to the execution of the Lease or possession of the Premises by Tenant, or its predecessors in interest.

2. **ATTORNMEN AT LENDER'S OPTION.** Neither Lender nor any other party acquiring the Landlord's interest in the Premises, through foreclosure, deed in lieu, or otherwise in satisfaction or partial satisfaction of the Deed of Trust, shall be required to recognize the rights of Tenant under the Lease and the rights of Tenant thereunder, including any options thereunder, shall, at the election of Lender or such other party and upon giving Tenant written notice of termination, cease and terminate. However, at Lender's sole option, if the interests of Landlord shall be transferred to and owned by Lender by reason of foreclosure of the Deed of Trust or by deed or other conveyance in lieu thereof or by any other manner, and Lender succeeds to the interest of the Landlord under the Lease, Tenant shall be bound to Lender under all of the terms, covenants, and conditions of the Lease for the balance of the term thereof remaining and any extensions or renewals thereof which may be effected in accordance with any option therefor in the Lease, with the same force and effect as if Lender were the landlord under the Lease, and Tenant does hereby attorn to Lender, as its landlord; provided, said attornment and continuation of the Lease to be effective and operative only if Lender gives written notice to Tenant of Lender's exercise of this option within thirty (30) days following Lender's acquisition of the Landlord's interest in the Premises. With the giving of such notice by Lender this attornment shall thereupon be effective without the execution of any further instruments on the part of any of Lender and Tenant.

If Lender succeeds to the interest of Landlord under the Lease, then Lender shall not be (i) liable for any act or omission of any prior landlord (including Landlord); (ii) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); (iii) bound by any rent or additional rent which Tenant might have paid for more than the then current installment; (iv) obligated for repayment of any security deposit which has not been previously paid to Lender; or (v) bound by any amendment or modification of the Lease made without Lender's consent. Nothing in this Agreement or at law or equity shall be deemed or construed as constituting Lender a principal or surety for the performance of any of the Landlord's obligation's under the Lease, and under no circumstances whatever shall Lender have any personal liability for the breach or nonperformance of any of the Landlord's obligations to Tenant.



3. **WAIVER OF NON-DISTURBANCE.** Tenant hereby waives any right under the Lease to require a covenant of non-disturbance from Lender, and Tenant hereby agrees that no such covenant of non-disturbance has been made or given by Lender and none shall be included nor shall be implied in this Agreement.

4. **PURCHASE OPTIONS.** Any options or rights contained in the Lease to acquire title to the Premises are hereby made subject and subordinate to the rights of Lender under the Deed of Trust, shall not apply to any judicial or non-judicial foreclosure of the Deed of Trust or to any acquisition of the Premises by Lender in lieu thereof, and any acquisition of title to the Premises made by Tenant during the term of the Deed of Trust shall be subordinate and subject to the Deed of Trust and all of Lender's rights thereunder to the extent the obligations secured by the Deed of Trust are not paid in full.

5. **SUCCESSORS AND ASSIGNS.** This Agreement and each and every covenant, agreement and other provisions hereof shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. As used in this Agreement the term "Lender" shall include any nominee of Lender acquiring the Premises through foreclosure of the Deed of Trust or by deed or other conveyance in lieu thereof.

6. **NOTICES.** Any notice under this Agreement which any party may desire or may be required to give to the other party shall be in writing and shall be given by delivering it or by mailing it by first-class regular mail, to the address for the other party as set forth above, or to such other address as either party hereto may by notice in writing designate. Lender, upon succeeding to the interest of Landlord under the Lease, shall not be deemed to have notice of any notice given by Tenant to any prior landlord (including Landlord) unless a copy of the notice was sent to Lender in the manner required by this Agreement.

7. **LENDER'S RIGHT TO CURE LANDLORD'S DEFAULT.** Notwithstanding anything herein or in the Lease to the contrary and so long as Lender's Deed of Trust remains an encumbrance against the Premises, Tenant agrees to give Lender written notice of any default by Landlord under the Lease. Lender, following its receipt of such notice, shall have the right [but not the obligation] and a reasonable opportunity to cure such default on behalf of Landlord. Tenant further agrees not to exercise any of its remedies for such default so long as Lender is proceeding with diligence to cure such default or proceeding with diligence to obtain the legal right to enter the leased Premises and cure the default.

8. **CERTIFICATION OF TENANT.** Tenant certifies to Lender that it has accepted delivery of the Premises and has entered into occupancy and possession thereof; that the Lease represents the entire agreement between the parties as to the leasing, is in full force and effect, and has not been assigned, modified, supplemented or amended in any way except as indicated above; that the term of the Lease has commenced; that rent has not been paid for more than one installment in advance; that as of this date the Landlord is not in default under any of the terms, conditions, provisions, or agreements of the Lease; and that Tenant has no offsets, claims, liens, charges, or defenses against the Landlord or the rents due under the Lease. Tenant further agrees to provide to Lender from time-to-time, within ten (10) business days following Lender's written request to Tenant, certifications of Tenant as to the Lease, the rent, the term and other terms and conditions of the Lease, and of any breach or default of the Landlord's obligations thereunder.

9. **HAZARDOUS SUBSTANCES.** Tenant represents and warrants that it has not and will not use, generate, release, discharge, store or dispose of any Hazardous Substance on, under, in or about the Premises other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws. Except for such legal and commercially reasonable use by Tenant, Tenant

has no actual knowledge that any Hazardous Substance is present or has been used, generated, released, discharged, stored or disposed of by any party on, under, in or about the Premises. As used herein "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products), which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated under any federal, state or local law, regulation or ordinance.

10. **ATTORNEYS' FEES.** If any lawsuit, judicial reference or arbitration or bankruptcy or other proceeding is commenced which arises out of or relates to this Agreement, and in any appeal therefrom, the prevailing party shall be entitled to recover from the non-prevailing party such sums as the court, referee or arbitrator may adjudge to be reasonable attorneys' fees, including the costs for any legal services by in-house counsel, in addition to costs and expenses otherwise allowed by law.

11. **INTEGRATION.** This Agreement integrates all of the terms and conditions of the parties' agreement regarding the matters contained herein. This Agreement supersedes and cancels all oral negotiations and prior and other writings with respect to the matters contained herein. This Agreement may not be modified or amended except by a written agreement signed by the parties or their respective successors in interest.

12. **CHOICE OF LAW.** This Agreement shall be governed, construed and enforced in accordance with the laws of the State where the Premises are located without regard to the choice of law rules of that State.

13. **CAPTIONS AND HEADINGS.** The captions and headings of the various sections of this Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed as of the date first set forth above.

LENDER:

BANK OF AMERICA, N.A.

By: *Quincy Martin*
Its: *Vice President*

By: _____

Its: _____

TENANT:

NORTHWEST HOT SPRING SPAS, INC.,
a Washington corporation

By: *Patrick D. Hyatt*
Patrick D. Hyatt, President

By: *Pamela Lloyd*
Pamel Lloyd, Secretary



STATE OF WASHINGTON)
)§
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Patrick D. Hyatt 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 acknowledge it as the President of NORTHWEST HOT SPRING SPAS, INC., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 8/02/01

ANDREA J. MARTIN
Notary Public, State of Washington
My Commission Expires Oct. 10, 2003

Andrea J. Martin
(Print Notary Name) **ANDREA J. MARTIN**
Notary Public in and for the State of Washington
residing at Burlington
My appointment expires 10-10-2003

STATE OF WASHINGTON)
)§
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Pamela Lloyd 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 acknowledge it as the Secretary of NORTHWEST HOT SPRING SPAS, INC., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 8/02/01

ANDREA J. MARTIN
Notary Public, State of Washington
My Commission Expires Oct. 10, 2003

Andrea J. Martin
(Print Notary Name) **ANDREA J. MARTIN**
Notary Public in and for the State of Washington
residing at Burlington
My appointment expires 10-10-2003



STATE OF WASHINGTON)
)§
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that Andrea J Martin is the person who appeared before me, and said person acknowledged that she/he signed this instrument, on oath stated that she/he was authorized to execute the instrument and acknowledge it as the Vicepro of BANK OF AMERICA, N.A. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 8/3/01



Kristin Sand
(Print Notary Name) Kristin Sand
Notary Public in and for the State of Washington
residing at Mount Vernon
My appointment expires 3.20.05

STATE OF WASHINGTON)
)§
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that she/he signed this instrument, on oath stated that she/he was authorized to execute the instrument and acknowledge it as the _____ of BANK OF AMERICA, N.A., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(seal)

(Print Notary Name) _____
Notary Public in and for the State of Washington
residing at _____
My appointment expires _____



EXHIBIT A

EXHIBIT ATTACHED TO AND FORMING A PART OF THAT LEASE SUBORDINATION AGREEMENT DATED JULY 31, 2001 GIVEN BY NORTHWEST HOT SPRING SPAS, INC. A WASHINGTON CORPORATION, AS TENANT.

LEGAL DESCRIPTION:

TRACT 1B OF BURLINGTON SHORT PLAT NO. 3-81 AS APPROVED JULY 21, 1981, AND RECORDED AUGUST 18, 1981, IN VOLUME 5 OF SHORT PLATS, PAGE 113, UNDER AUDITOR'S FILE NO. 8108180016, RECORDS OF SKAGIT COUNTY, WASHINGTON; BEING A PORTION OF TRACT 1 OF BURLINGTON SHORT PLAT NO. 5-79 IN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 34 NORTH, RANGE 4 EAST OF THE WILLAMETTE MERIDIAN.

SITUATED IN SKAGIT COUNTY, WASHINGTON.