

Record and Return to:

Attn: Smokey Point

Frontier Bank  
PO Box 3429  
Arlington, WA 98223



200112180136

Skagit County Auditor

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LAND TITLE COMPANY OF SKAGIT COUNTY

P995685

SUBORDINATION, NONDISTURBANCE AND  
ATTORNMMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 12 day of December, 2001, by and among Frontier Bank, a Washington banking corporation ("Lender"), with an address at 3506 168th ST NE, Arlington, WA, and Bulson Road Holdings, LLC; a Washington Limited Liability Corporation and John Ellis and Bill Lloyd ("Landlord"), with an address at 22397 Bulson Road, Mt. Vernon, WA 98274, and United States of America, also referred to as 'the Government' ("Tenant"), with an address at Region 6, USDA Forest Service, Pacific Northwest Region, PO box 3623, Portland, Oregon 97208-3623. Lender, Landlord and Tenant are sometimes singularly referred to as a "Party" and collectively referred to as the "Parties".

RECITALS:

A. Tenant has a lease (herein the "Lease") with its Landlord, Bulson Road Holdings, LLC (herein "Borrower") dated August 29, 2001. Under that Lease, Tenant is leasing a portion of the real property located in Skagit County, Washington, commonly known as 810 Hwy. 20, Sedro Woolley, WA 98284 (herein the "Property") and legally described on Exhibit "A" which is attached hereto and incorporated herein by this reference and briefly described as follows: PTN NE ¼ of NE ¼, 24-35-4 E.W.M.

Assessor's Property Tax Parcel Account Number(s):  
350424-0-098-0000 and 350424-1-001-0100

B. A loan (herein "Loan") has been made or is about to be made by Lender to Borrower and the loan documents require that Tenant acknowledge that its Lease is in full force and effect and subordinate the Lease to the lien of Lender's Deed of Trust.

C. Tenant believes it will benefit from this Agreement and is willing to give such subordination and make such acknowledgement on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

1. Tenant hereby agrees that the Lease and all rights, options, liens and charges created thereby, are subordinate to the lien of Lender's Deed of Trust in the principal amount of \$2,177,000.00 dated December 29, 2000 and recorded December 29, 2000 under Skagit County Auditor's File No. 200012290109 and re-recorded January 22, 2001 under Skagit County Auditor's File #200101220092, and any and all instruments held by Lender as security for the Loan. Tenant further agrees that the Lease shall be subordinate to the Lien of any renewal, modification, extension, substitution, replacement or consolidation of said Deed of Trust and other security instruments.

2. So long as Tenant is not in default under the Lease, Lender hereby agrees that it will not disturb Tenant's quiet possession of the leased premises, nor deprive Tenant of any of its rights under the Lease.

3. If Lender becomes the owner of the Property or if the Property shall be sold by reason of foreclosure or other proceedings brought to enforce the Deed of Trust, or if the Property is transferred by deed in lieu of foreclosure, the Lease shall continue in full force and effect as a direct lease between the then owner of the Property (including the Lender or other grantee under a deed in lieu of foreclosure) and Tenant for the balance of the term of the Lease and Tenant agrees to attorn unto the then owner as its landlord. From and after said owner's acquisition of title, Tenant shall have the same remedies for breach of a covenant under the Lease that Tenant might have against its present landlord except that said owner shall not be: (a) liable for any act or omission of any prior landlord (including Borrower); (b) subject to any offsets or defenses which Tenant might have against any prior landlord (including Borrower); (c)



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bound by any payment of rent or which Tenant might have paid for more than one (1) month in advance; (d) bound by any amendment or modification of the Lease or by any waiver or forbearance on the part of an prior landlord (including Borrower) made or given without the written consent of Lender; (e) bound by a guarantee of work performed by or for the landlord or any warranty of workmanship or materials or of any other personal guaranty of the landlord; or (f) bound for return of any security deposit unless the same has been specifically transferred to said owner. This leasing arrangement shall be effective and self-operative without the execution of any further instruments. Tenant, however, shall be under no obligation to pay rent to Lender until Tenant receives written notice from Lender or the new owners that it has succeeded to Borrower's interest under the Lease.

4. Tenant agrees that Borrower shall not be in default under the Lease unless written notice specifying such default is given to Lender. Tenant agrees that Lender shall have the right to cure such default on behalf of Borrower within thirty (30) days after the receipt of such notice. Tenant further agrees not to invoke any of its remedies under the Lease until said thirty (30) days have elapsed, or during any period that Lender is proceeding to cure such default with due diligence, or is diligently taking steps to obtain the right to enter the lease premises and cure the default, whichever is later.

5. Tenant acknowledges that the interest of Borrower in the Lease has been assigned to Lender as security under the Deed of Trust described in Paragraph 1 above and that until Lender obtains title to the Property, Lender assumes no duty, liability or obligation under the Lease or any extension or renewal of the Lease, either by virtue of said assignment or by any subsequent receipt or collection of rents under the assignment.

6. This Agreement may not be modified except in writing and executed by the parties hereto or their successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their successors and assigns.

7. This Agreement shall inure to the benefit of and be binding upon the parties, hereto, their successors in interest, heirs and assigns and any subsequent owner of the Property.



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8. Should any action or proceeding be commenced to enforce any of the provisions of this Agreement or in connection with its meaning, the prevailing party in such action shall be awarded, in addition to any other relief it may obtain, its reasonable costs and expenses, not limited to taxable costs, and reasonable attorneys' fees.

DATED as of the date first above written.

Lender:  
FRONTIER BANK

By: Robert M. King  
Its VP

Tenant:

USDA Forest Service

By: Charles J. Smith  
Its: Contracting Officer

Landlord:

By: John J. Smith  
Its: Mary J. Smith



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ACKNOWLEDGMENTS.

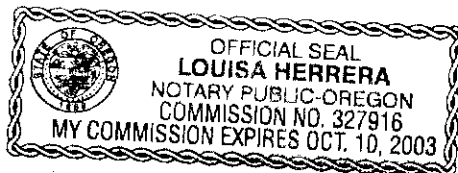
STATE OF ~~WASHINGTON~~ OREGON )  
COUNTY OF Multnomah )


I, the undersigned, a notary public in and for the state of ~~Washington~~, hereby certify that on this 12th day of December, 2001 personally appeared before me Charles Beasley, to me known to be the Contracting Officer of USDA Forest Service, the entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 12th day of December, 2001.

Louisa Herrera  
(Name Louisa Herrera)

NOTARY PUBLIC in and for the State of ~~Washington~~ Oregon, residing at 333 SW First Ave, Portland, OR 97204  
My commission expires: 10/11/2003.



  
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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF Snohomish )

I, the undersigned, a notary public in and for the State of Washington, hereby certify that on this 13 day of December, 2001, personally appeared before me Robin Reing, to me known to be the VP of Frontier Bank, the entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 13 day of December, 2001.

Dana Conklin  
(Name DANA CONKLIN)  
NOTARY PUBLIC in and for the  
State of Washington, residing  
at Everett  
My commission expires: 4/27/03.



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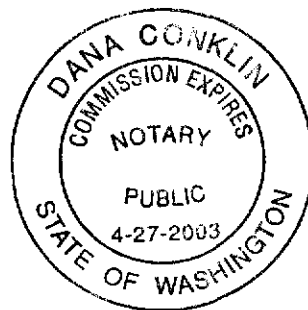
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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SNOHOMISH )

I, the undersigned, a notary public in and for the state of Washington, hereby certify that on this 14 day of December, 2001, personally appeared before me John Ellis, to me known to be the Managing Partner of FRONTIER BANK, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument.

GIVEN UNDER MY HAND and official seal this 14 day of December, 2001.

Dana Conklin  
(Name DANA CONKLIN)  
NOTARY PUBLIC in and for the State  
Washington, residing at  Everett  
My commission expires: 4/27/03



  
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Schedule "A-1"

P-99568-S

DESCRIPTION:

PARCEL "A":

The East  $\frac{1}{4}$  of the following described property:

That portion of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 24, Township 35 North, Range 4 East, W.M., described as follows:

Beginning on the South line of the said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ , 666.5 feet East of its Southwest corner;  
thence North 195 feet;  
thence East 223.5 feet;  
thence South to the South line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;  
thence West to the point of beginning,

EXCEPT any portion thereof lying within the boundaries of the East one-third of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ,

EXCEPT that portion thereof conveyed to the State of Washington for road right of way, by instrument recorded February 13, 1952, under Skagit County Auditor's File No. 472953.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

That portion of the Northeast  $\frac{1}{4}$  of Section 24, Township 35 North, Range 4 East, W.M., described as follows:

Beginning at the intersection of the West right of way line (40 feet from centerline) of Township Road with the North right of way line (75 feet from centerline) of Secondary State Highway No. 1-A;  
thence South  $88^{\circ}33'29''$  West, along the North line of said State Highway No. 1-A, a distance of 76.20 feet to a line 20 feet North of, as measured perpendicular to, the South line of the East one-third of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of said Section 24;  
thence North  $88^{\circ}51'15''$  West along said line 20 feet North of said Southerly line and parallel with said Southerly line, a distance of 188.90 feet to the true point of beginning;  
thence North  $00^{\circ}00'00''$  East a distance of 152.02 feet;  
thence South  $88^{\circ}51'15''$  East, parallel with said South line, a distance of 63.18 feet to a point that bears North  $88^{\circ}51'15''$  West and is 202.00 feet distant from the West line of said Township Road;

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Schedule "A-1"

P-99568-S

DESCRIPTION CONTINUED:

PARCEL "B" Continued:

thence North 00°00'00" East, parallel with said Township Road, a distance of 207.06 feet to a line that is 379 feet North of, as measured perpendicular to, the South line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;  
thence North 88°51'15" West parallel with said South line, a distance of 204.98 feet to the West line of said East one-third of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;  
thence South 00°17'16" East along said West line, a distance of 359.12 feet to a line that is parallel with and 20 feet North of, as measured perpendicular to, said South line of the East one-third of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;  
thence South 88°51'15" East along said parallel line, a distance of 140.00 feet to the true point of beginning.  
(Also known as Lot 2 of that Survey recorded July 12, 1991, under Auditor's File No. 9107120026, in Volume 11 of Surveys, pages 127 and 128, records of Skagit County, Washington).

Situate in the County of Skagit, State of Washington.

PARCEL "C":

A non-exclusive easement for ingress and egress over and across the North 30 feet of Tracts 1 and 2 hereinafter described.

PARCEL "D":

A non-exclusive easement for the installation, construction, repair and maintenance of utilities over, under and across the South 20 feet of Tracts 2 and 3 hereinafter described.

Tract 1:

That portion of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 24, Township 35 North, Range 4 East, W.M.

Beginning at a point on the West line of the State Highway a distance of 379 feet North of the South line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;  
thence West 146.5 feet;  
thence South 120 feet;  
thence East 146.5 feet;  
thence North 120 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.

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Schedule "A-1"

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DESCRIPTION CONTINUED:

Tract 2:

The West 65.5 feet of the following described tract:

That portion of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 24, Township 35 North, Range 4 East, W.M., described as follows:

Beginning at a point on the West line of State Highway right of way a distance of 172 feet North of the South line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;

thence North a distance of 87 feet, more or less, to the Southeast corner of that tract of land as conveyed to Albert J. Anderson and Hannah Anderson, by deed recorded December 17, 1953, under Auditor's File No. 496353, records of Skagit County, Washington;

thence West a distance of 146.5 feet to the Southwest corner of said Anderson Tract;

thence North a distance of 120 feet, more or less, to the Northwest corner of said Anderson Tract, said Northwest corner being 379 feet North of the South line of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;

thence West 65.5 feet to a point 212.0 feet West of the West line of said State Highway right of way;

thence South parallel with the West line of State Highway right of way, a distance of 207 feet;

thence East a distance of 212 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.

Tract 3:

That portion of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 24, Township 35 North, Range 4 East, W.M., described as follows:

Beginning at a point on the West line of State Highway right of way 172 feet North of the South line of said Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;

thence North 87 feet, more or less, to the Southeast corner of that tract of land as conveyed to Albert J. Anderson and Hannah Anderson, by deed recorded December 17, 1953, under Auditor's File No. 496353, records of Skagit County, Washington;

thence West 146.5 feet to the Southwest corner of said Anderson Tract;

thence North 120 feet, more or less, to the Northwest corner of said Anderson Tract, said Northwest corner being 379 feet North of the South line of the Northeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ;

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Schedule "A-1"

P-99568-S

DESCRIPTION CONTINUED:

Tract 3 Continued:

thence West 65.5 feet to a point 212.0 feet West of the West line of said State Highway right of way;  
thence South parallel to the West line of said State Highway right of way a distance of 207 feet;  
thence East 212 feet to the point of beginning,

EXCEPT the West 65.5 feet thereof.

Situate in the County of Skagit, State of Washington.



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