

RETURN ADDRESS:

The Bank of Washington
Lynnwood Branch
5901 196th St. SW
Lynnwood, WA 98036



200302180187

Skagit County Auditor

2/18/2003 Page 1 of 6 11:32AM

LAND TITLE COMPANY OF SKAGIT COUNTY

103876

NOTICE: THIS SUBORDINATION AGREEMENT - LEASE RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

SUBORDINATION AGREEMENT - LEASE

Reference # (if applicable): 200301230003

Additional on page ____

Grantor(s):

1. Burlington Building No. C, LLC

Grantee(s)

1. The Bank of Washington

Legal Description: Ptn NW 1/4 OF SW 1/4, 5-34-4 E W.M.
aka Lot 3, Burl. BSP #2-00.

Additional on page 6

Assessor's Tax Parcel ID#: 8031-000-003-0000

THIS SUBORDINATION AGREEMENT - LEASE dated January 13, 2003, is made and executed among Otto J. and Marilee K. Hanssen ("Lessee"); Burlington Building No. C, LLC ("Borrower"); and The Bank of Washington ("Lender").

**SUBORDINATION AGREEMENT – LEASE
(Continued)**

Loan No: 41374901

Page 2

LEASE. Lessee has executed one or more leases of the following described property (the "Subordinated Lease").

REAL PROPERTY DESCRIPTION. The Lease covers a portion of the following described real property located in Skagit County, State of Washington:

See Exhibit A, which is attached to this Subordination and made a part of this Subordination as if fully set forth herein.

The Real Property or its address is commonly known as 1238-1250 S. Burlington Blvd, Burlington, WA 98233. The Real Property tax identification number is 8031-000-003-0000

REQUESTED FINANCIAL ACCOMMODATIONS. Borrower and Lessee each want Lender to provide financial accommodations to Borrower in the form of (A) new credit or loan advances, (B) an extension of time to pay or other compromises regarding all or part of Borrower's present indebtedness to Lender, or (C) other benefits to Borrower. Borrower and Lessee each represent and acknowledge to Lender that Lessee will benefit as a result of these financial accommodations from Lender to Borrower, and Lessee acknowledges receipt of valuable consideration for entering into this Subordination. Deed of Trust recorded 1/23/03 # 200301230003

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that Lender's Lien be and remain superior to the Subordinated Lease.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessee's right, title, and interest in and to the Subordinated Lease and the Real Property is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to Lessee's interests in the Subordinated Lease and the Real Property. Lessee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessee, whether now existing or hereafter acquired.

LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants to Lender that: (A) no representations or agreements of any kind have been made to Lessee which would limit or qualify in any way the terms of this Subordination; (B) this Subordination is executed at Borrower's request and not at the request of Lender; (C) Lender has made no representation to Lessee as to the creditworthiness of Borrower; and (D) Lessee has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Lessee agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Lessee's risks under this Subordination, and Lessee further agrees that Lender shall have no obligation to disclose to Lessee information or material acquired by Lender in the course of its relationship with Borrower.

LESSEE WAIVERS. Lessee waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Lessee, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. Any default by Borrower under the terms of the Subordinated Lease also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

NONDISTURBANCE. If there occurs any foreclosure of Lender's Lien or any conveyance in lieu of foreclosure, provided that the Tenant shall not then be in default beyond any grace period under the Lease, Tenant shall not be made a party in any action or proceeding to remove or evict Tenant or to disburb its possession, nor shall the leasehold estate of Tenant created



200302180187

Skagit County Auditor

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

Loan No: 41374901

Page 3

by the Lease be affected in any way, and the Lease shall continue in full force and effect as a direct lease between Tenant and Lender or the purchaser at foreclosure.

ATTORNMEN. After the receipt by Tenant of notice from Lender of any foreclosure of the Lender's Lien or any conveyance in lieu of foreclosure, Tenant will thereafter attorn to and recognize as its substitute Landlord, and having thus attorned, Tenant's possession shall not thereafter be disturbed provided, and so long as, Tenant shall continue to timely pay all rentals under the Lease and otherwise observe and perform the covenants, terms and conditions of the Lease. Such attornment shall be effective without the execution of any further instrument, provided, Tenant agrees to execute and deliver to Lender such further instruments as Lender may reasonably request to confirm such attornment, so long as the substance of such instruments are reasonably satisfactory to Tenant.

DESCRIPTION OF SUBORDINATED LEASE. The subordinated lease, wherein ARMADA Burlington LLC is Landlord and Otto J. and Marilee K. Hanssen is Tenant, is dated February 2, 2001, and covers premises commonly known as 1250 South Burlington Boulevard, Burlington, Washington. The lease was subsequently assigned to Burlington Building No. C, LLC by Assignment and Assumption of Lease dated January 9, 2003. The term of the lease is 10 years, with two options to extend for five years.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Amendments. This Subordination, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Lessee also will pay any court costs, in addition to all other sums provided by law.

Authority. The person who signs this Subordination as or on behalf of Lessee represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Lessee's security interests in Borrower's property, if any.

Caption Headings. Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

Governing Law. This Subordination will be governed by, construed and enforced in accordance with federal law and the laws of the State of Washington. This Subordination has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Lessee agrees upon Lender's request to submit to the jurisdiction of the courts of Snohomish County, State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Lessee, shall constitute a waiver of any of Lender's rights or of any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors. This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Borrower and Lessee herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF



200302180187

Skagit County Auditor

SUBORDINATION AGREEMENT - LEASE
(Continued)

Loan No: 41374901

Page 4

THE LAND.

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED JANUARY 13, 2003.

BORROWER:

BURLINGTON BUILDING NO. C, LLC

By:

Otto J. Hanssen, member
Otto J. Hanssen, Member of Burlington Building No. C, LLC

LESSEE:

x

Otto J. Hanssen
Otto J. and Marilee K. Hanssen, Individually

Marilee K. Hanssen

LENDER:

x

Authorized Officer

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF

Washington

COUNTY OF

King

On this

3

day of

February

20

Before me, the undersigned Notary Public, personally appeared Otto J. Hanssen, Member of Burlington Building No. C, LLC, who personally known to me or proved to me on the basis of satisfactory evidence to be a of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By

Dana A. Schlemmer

Residing at

Issaquah

Notary Public in and for the State of WA

My commission expires

1-26-04



200302180187
Skagit County Auditor

2/18/2003 Page

4 of

6 11:32AM

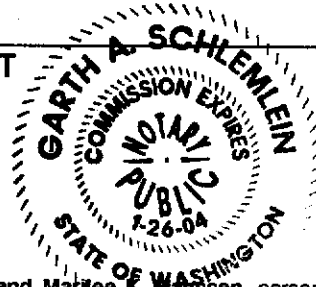
**SUBORDINATION AGREEMENT – LEASE
(Continued)**

Loan No: 41374901

Page 5

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF King)



On this day before me, the undersigned Notary Public, personally appeared Otto J. and Marilee K. Hansen, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination Agreement – Lease, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 3 day of February, 20 03.

By Garth A. Schlemlein

Residing at Issaquah

Notary Public in and for the State of WA

My commission expires 1-26-04

LENDER ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned Notary Public, personally appeared _____ and personally known to me or proved to me on the basis of satisfactory evidence to be the _____, authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By _____

Residing at _____

Notary Public in and for the State of _____

My commission expires _____



200302180187
Skagit County Auditor

2/18/2003 Page

5 of

6 11:32AM

DESCRIPTION:

Lot 3, Revised City of Burlington Binding Site Plan No. Burl-BSP-2-00, approved October 3, 2001, recorded October 3, 2001, under Skagit County Auditor's File No. 200110030143, and being a portion of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, Section 5, Township 34 North, Range 4 East, W.M.

TOGETHER WITH parking, access and utility easements delineated on said Plan as appurtenant thereto and as setforth in instrument recorded March 5, 2001, under Auditor's File No. 200103150016.

Situate in the County of Skagit, State of Washington.



200302180187
Skagit County Auditor

2/18/2003 Page 6 of 6 11:32AM



200301230004
Skagit County Auditor

1/23/2003 Page 10 of 10 8:55AM