



200307310238

Skagit County Auditor

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After Filing Return To:
Bank of America, NA
Attn: Thomas W. Braaten
Northwest Commercial Banking
1602 Hewitt Avenue, Third Floor
Everett WA. 98201

LOAN SUBORDINATION AGREEMENT

CHICAGO TITLE C27414

Grantor(s):

1. HORIZON BANK
- ☒ Additional names on page 2 of document

Grantee(s):

1. BANK OF AMERICA, N.A.
- ☐ Additional names on page ____ of document

Abbreviated Legal Description: Tracts 1, 2 and 3, Skagit County Short Plat No. 11-84; portion of SW ¼ of SE ¼ of Sec. 18, T35N, R5E, WM.

☒ Additional legal is on Schedule A to document.

Assessor's Property Tax Parcel Account Number(s): 350518-4-029-0003;

Reference Numbers of Documents Assigned or Released (if applicable):

- ☒ Additional reference numbers on page 2 of document

9809140215

200307310 233

200307310 234

LOAN SUBORDINATION AGREEMENT

This Loan Subordination Agreement is dated July 30, 2003. The undersigned, for the benefit of Bank of America, N.A., successor by merger to Bank of America National Trust and Savings Association, doing business as Seafirst Bank, ("Bank of America") agree as follows:

RECITALS:

A. Bank of America is the owner and holder of that certain Deed of Trust dated August 14, 1998, recorded in the official records of Skagit County, Washington, on September 14, 1998, under Recording No. 9809140215, (hereinafter referred to as "the 1998 Deed of Trust") encumbering certain property described therein and certain property described in that certain Deed of Trust Spreading Agreement of even date herewith, all of which real property is legally described on Schedule A attached hereto, and is hereinafter referred to as "the Real Property"). The Grantor under the 1998 Deed of Trust is Stanislaw Properties, L.L.C., a Washington limited liability company, ("Owner").

B. Bank of America is also the owner and holder of that certain Borrowing Agreement dated August 4, 1998, in the original principal amount of \$1,750,000.00 (hereinafter referred to as the "Borrowing Agreement") of which the borrower is Janicki Machine Design, Inc., now known as Janicki Industries, Inc., a Washington corporation, ("Borrower"). In connection with Bank of America's agreement to enter into that certain Amendment No. 1 to Credit Agreement between Bank of America and Borrower, and that certain Amendment No. 2 to Credit Agreement between Bank of America and Owner, both of even date herewith, (collectively "the Loan Amendments"), which among other matters modify certain provision of the loan to Borrower evidenced by the Borrowing Agreement, Owner is granting to Bank of America a deed of trust against the Real Property to secure the Borrowing Agreement. The said deed of trust securing the Borrowing Agreement is of even date herewith and is between Bank of America as Beneficiary, Owner as Grantor, and PRLAP, Inc., as Trustee. The said Deed of Trust has been recorded in the official records of Skagit County, Washington, on:

July 31, 2003 under Recoding No. 200307310 233
The Borrowing Agreement and the Deed of Trust described in this Recital B, and all related loan documents including but not limited to that certain Credit Agreement dated August 8, 2002, as modified by Loan Amendments, are collectively referred to herein as the "the 2003 Deed of Trust".

C. Horizon Bank, a Washington _____ ("Horizon Bank"), is the beneficiary of that certain deed of trust (the "Horizon Bank Deed of Trust"), dated July 30, 2003, by and among Owner, as Grantor, and Westward Financial Services, Inc., as Trustee, covering the Real Property, and recorded in the official records of Skagit County, Washington, on:

July 31, 2003 under Recoding No. 200307310 234

D. Owner is the owner of all of the Real Property.

E. Concurrently with the recordation of this Subordination Agreement, Bank of America intends to subordinate the lien, security interest and rights granted by the 1998 Deed of Trust to the



lien, security interest and rights granted by the 2003 Deed of Trust, and to all advances or charges made or accruing under the 2003 Deed of Trust, including any extension or renewal thereof, to the same effect as though the 2003 Deed of Trust had been place on record before the 1998 Deed of Trust.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, receipt whereof is hereby acknowledged, the undersigned agree as follows:

1. Horizon Bank hereby unconditionally subordinates the lien, security interest and rights granted by the Horizon Bank Deed of Trust to the lien, security interest and rights granted by the 2003 Deed of Trust and by the 1998 Deed of Trust, and to all advances or charges made or accruing under the 2003 Deed of Trust and/or the 1998 Deed of Trust including any extension or renewal of either such Deed of Trust, to the same effect as though the 2003 Deed of Trust and the 1998 Deed of Trust had been place on record before the Horizon Bank Deed of Trust.
2. As part of the transaction in which this Subordination Agreement is being recorded, Bank of America is also recording a subordination agreement which subordinates the lien, security interest and rights granted by the 1998 Deed of Trust to the lien, security interest and rights granted by the 2003 Deed of Trust. It is the intention of Bank of America and of the undersigned that following recordation of such subordination agreement and of this Subordination Agreement the 2003 Deed of Trust will be in first lien priority position against the Real Property, the 1998 Deed of Trust will be in second lien priority position against the Real Property, and the Horizon Bank Deed of Trust will be in third lien priority position against the Real Property.
3. This Agreement shall be the whole and only agreement between Horizon Bank, Bank of America, Owner and Borrower with regard to the subordination of the Horizon Bank Deed of Trust to the 2003 Deed of Trust and to the 1998 Deed of Trust and shall supersede and cancel any prior agreements regarding subordination including, but not limited to, those provisions, if any, contained in the 1998 Deed of Trust or the 2003 Deed of Trust which provide for the subordination of the lien or charge thereof to a deed of trust or deeds of trust to be thereafter executed.
4. This Subordination Agreement is entered into by Horizon Bank only and solely for the benefit of Bank of America and the present and future owners and holders of the indebtedness secured by the 2003 Deed of Trust and the 1998 Deed of Trust and not for the benefit of, nor in favor of, any other person or party. The Horizon Bank Deed of Trust is in full force and effect and asserted by Horizon Bank except as expressly hereby subordinated.
5. It is understood by the parties hereto that Bank of America would not enter into the Loan Amendments without Owner, Borrower and Horizon Bank executing this Subordination Agreement.
6. It is contemplated that this Subordination Agreement will be filed for record after the 2003 Deed of Trust is filed and after the Horizon Bank Deed of Trust is filed, and Bank of America or its agent is specifically authorized to insert in this Agreement where indicated the actual filing dates and number of the 2003 Deed of Trust and the Horizon Bank Deed of Trust, and such insertions shall be binding upon the parties hereto.



7. Horizon Bank acknowledges that it:

- 7.1 has had the opportunity to examine the terms of the 1998 Deed of Trust and the 2003 Deed of Trust and the notes, borrowing agreements and other agreements relating thereto prior to the execution hereof;
- 7.2 consents to and approves the same;
- 7.3 agrees that Bank of America has no obligation to Horizon Bank to advance any funds under the 1998 Deed of Trust or the 2003 Deed of Trust or to see to the application of any funds advanced by Bank of America; and
- 7.4 recognizes that any application or use of such funds for purposes other than those provided for in the 1998 Deed of Trust or the 2003 Deed of Trust, or any notes, borrowing agreements or other agreements secured thereby or related thereto, shall not defeat, in whole or in part, the subordination made herein.

8. This Subordination Agreement shall be governed by the laws of the State of Washington. In any action, suit or appeal therefrom involving the enforcement or interpretation of this Subordination Agreement, the prevailing party shall be entitled to recover from the other party or parties its costs incurred therein, including reasonable attorneys' fees. This Subordination Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors and assigns of the parties hereto.

9. The words "Deed of Trust" shall refer to "mortgage" where appropriate.

EXECUTED as of the day and year first above written.

HORIZON BANK:

HORIZON BANK

By

Name:

Title:

Michael Bayless
MICHAEL BAYLESS
VICE PRESIDENT

OWNER:

STANISLAW PROPERTIES, L.L.C.

By

Name:

Title:

Robert Janicki
Robert Janicki
Member



BORROWER:

JANICKI INDUSTRIES, INC.

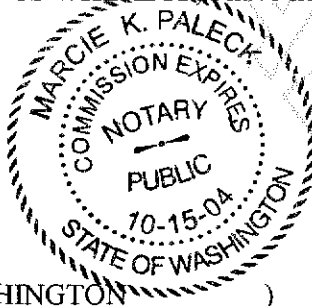
By

Name: John Janicki
Title: President

STATE OF WASHINGTON)
COUNTY OF SKAGIT) ss.

On this 31st day of July, 2003, before me, a Notary Public in and for the State of Washington, personally appeared MICHAEL K BAYLESS, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that s/he was authorized to execute the instrument, and acknowledged it as the VICE PRESIDENT of HORIZON BANK to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

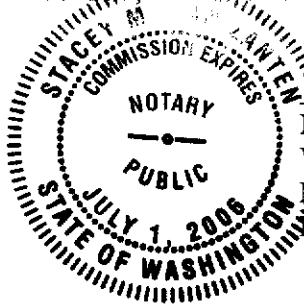


Marcie K Paleck
NOTARY PUBLIC in and for the State of
Washington, residing at MT VERNON
My appointment expires October 15 2004
Print Name MARCIE K. PALECK

STATE OF WASHINGTON)
COUNTY OF Skagit) ss.

On this 30 day of July, 2003, before me, a Notary Public in and for the State of Washington, personally appeared Robert Janicki, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that s/he was authorized to execute the instrument, and acknowledged it as the Member of STANISLAW PROPERTIES, L.L.C. to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Stacey M. VanZanten
NOTARY PUBLIC in and for the State of
Washington, residing at Sedro-Woolley
My appointment expires 07-01-06
Print Name Stacey M. VanZanten

LOAN SUBORDINATION AGREEMENT

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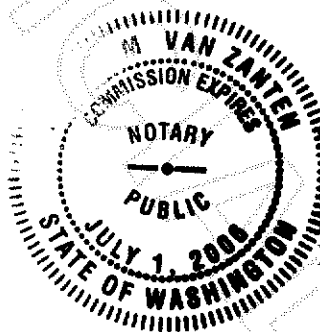
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STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

On this 30 day of July, 2003, before me, a Notary Public in and for the State of Washington, personally appeared John Janicki, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that s/he was authorized to execute the instrument, and acknowledged it as the President of JANICKI INDUSTRIES, INC. to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Stacey M. VanZanten
NOTARY PUBLIC in and for the State of
Washington, residing at Sedro-Woolley
My appointment expires 07-01-06
Print Name Stacey M. VanZanten



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SCHEDULE A

Legal Description

PARCEL A:

Tract 1, 2 and 3, SKAGIT COUNTY SHORT PLAT NO. 11-84, approved May 23, 1984, and recorded October 17, 1984, in Volume 6 of Short Plats, pages 179 and 180, under Auditor's File No. 8410170004, records of Skagit County, Washington; being a portion of the Southwest Quarter of the Southeast Quarter in Section 18, Township 35 North, Range 5 East of the Willamette Meridian.

PARCEL B:

That portion of the East Half of the Southwest Quarter of the Southeast Quarter of Section 18, Township 35 North, Range 5 East of the Willamette Meridian, lying Northerly of the Great Northern Railway Company right of way;

EXCEPT the West 30 feet thereof;

ALSO EXCEPT the North 60 feet thereof;

AND ALSO EXCEPT that portion thereof lying Southerly of a sewer line as the same existed on May 1, 1970 and was referred to in Real Estate Contract recorded May 18, 1970, under Auditor's File No. 739080, records of Skagit County, Washington; and which runs in a Westerly direction from a point on the West line of the county road along the East line of said subdivision which is 351 feet, more or less, North of the centerline of the State Highway 20;

AND ALSO EXCEPT the East 20 feet for a road conveyed to Skagit County by Deed recorded under Auditor's File No. 57468, records of Skagit County, Washington;

AND FURTHER EXCEPTING any portion lying within the boundaries of Short Plat 92-019 recorded August 30, 1995 under Auditor's File No. 9508300056, records of Skagit County, Washington;

All situated in Skagit County, Washington



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