

Return Address:

KEYBANK NATIONAL ASSOCIATION
Community Development Banking
Mailcode WA-31-01-0400
1101 Pacific Avenue
Tacoma, WA 98402
Attn: Nina Hooser



200509220166

Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY

Loan No. 3113862491

SUBORDINATION AGREEMENT

Coversheet Recording Information:

GRANTOR: THE HOUSING AUTHORITY OF THE CITY OF
(Subordinator) ANACORTES, a municipal corporation

GRANTEE: KEYBANK NATIONAL ASSOCIATION, a national
(Lender) banking association

GRANTEE PACIFIC NORTHWEST TITLE COMPANY OF
(trustee) WASHINGTON, INC.

LEGAL Lots 1-3 & ptn of Lot 4, Blk 37, Anac.
DESCRIPTION

The complete legal description is attached as Exhibit A

ASSESSOR'S PROPERTY TAX PARCEL ACCT NOS: 3772-037-004-0008

RECORDING NO. OF DOCUMENTS REFERRED TO:

KeyBank's Deed of Trust (Senior Lien): 200509220163

20 THIS SUBORDINATION AGREEMENT ("*Subordination*") is given as of ^{September}~~August~~ 2005, by THE HOUSING AUTHORITY OF THE CITY OF ANACORTES, a municipal corporation ("*Subordinator*"), whose address is 719 Q Avenue Anacortes, WA 98221-4128, for the benefit of KEYBANK NATIONAL ASSOCIATION, a national banking association ("*Lender*"), whose mailing address is Community Development Banking, Mailcode WA-31-01-0400, 1101 Pacific Avenue, Tacoma, WA 98402, with the approval of THE WILSON HOTEL HOUSING LLC, a Washington limited liability company

("Borrower"), whose mailing address is c/o The Housing Authority of The City Of Anacortes 719 Q Avenue, Anacortes, WA 98221.

1. **Property.** Owner is the owner of all the real property ("**Property**") described on Exhibit A attached to this Agreement.

2. **Lender's Loan (Senior Lien).** Lender is making a loan (the "**Loan**") to Borrower in the principal amount of \$4,351,000, evidenced by Borrower's promissory note (the "**Note**"), dated as of August __, 2005, and secured by a Deed of Trust dated the same date (the "**Deed of Trust**"), which is being recorded in the real property records of King* County, Washington under the recording numbers set forth above, and which encumbers the property ("**Property**") legally described on Exhibit A hereto. *Skagit

(Said Deed of Trust recorded under Auditor's File No. 200509220163)

3. **Subordinator's Interest (Junior Lien).** Borrower has granted or is granting to Subordinator an option and/or right of first refusal with regard to the Property (the "**Option and ROFR**"). All of Subordinator's rights under and related to the Option and ROFR, as they presently exist and as the same may be hereafter amended, supplemented, and substituted, are referred to collectively herein as the "**Purchase Rights**."

4. **Subordination.** For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Lender to make the Loan, Subordinator hereby unconditionally subordinates its Purchase Rights to the lien of the Deed of Trust and all advances or charges made or accruing thereunder, including any extensions or renewals thereof.

5. **Subordinator's Representations.** Subordinator acknowledges that, prior to the execution of this Agreement, it has had the opportunity to examine the terms of the Deed of Trust and other Loan Documents related thereto, and consents to the same. Subordinator agrees that Lender has no obligation to Subordinator to advance any funds under the Loan Documents or see to the application of Lender's mortgage funds, and Subordinator agrees that any application or use of such funds for purposes other than those provided for in the Loan Documents shall not defeat or impair the subordination made herein, in whole or in part. Subordinator acknowledges that Lender would not make the loan secured by the Deed of Trust without this Agreement.

6. **General Provisions.** This Agreement is the whole and only agreement between the parties hereto with regard to the subordination of the Purchase Rights to the Deed of Trust, and supersedes and cancels any prior agreements related thereto. This Agreement is binding on and shall benefit the heirs, administrators, assigns and successors in interest of Subordinator. This Agreement shall inure to the benefit of and may be enforced by Lender and its successors, transferees, assigns and any future holder and owner of the Deed of Trust. Captions and headings used herein are for convenience of reference only, and are not intended to limit or affect the meaning of the text of this



Agreement. This Agreement is subject to and shall be construed in accordance with the laws of the State of Washington. This Agreement is to be recorded concurrently with the recording of the Deed of Trust and the Memorandum of Option and ROFR, and Subordinator authorizes Lender, its agent, and/or any escrow or title company officer to insert the appropriate recording numbers herein.

IN WITNESS WHEREOF Subordinator has executed and delivered this Agreement, with the acknowledgment and consent of Borrower.

"Subordinator"

THE HOUSING AUTHORITY OF THE
CITY OF ANACORTES, a municipal
corporation By:

By: Theresa McCallum
Theresa McCallum
Executive Director

Accepted and Approved by Owner:

THE WILSON HOTEL HOUSING LLC, a
Washington limited liability company

By: HOUSING AUTHORITY OF THE
CITY OF ANACORTES, a municipal
housing authority

By: Theresa McCallum
Theresa McCallum
Executive Director

Subordinator's Acknowledgment:

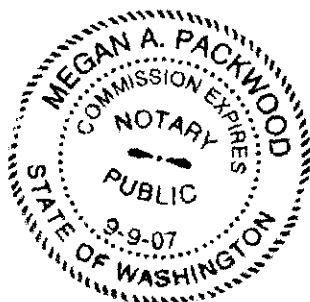
STATE OF WASHINGTON)

County of King)

ss.

I certify that I know or have satisfactory evidence that **Theresa McCallum** 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 acknowledged it as the **Executive Director of Housing Authority of the City of Anacortes**, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 30 day of ~~August~~ ^{September}, 2005



Notary Public in and for the State of WA
residing at Seattle

MEGAN A. PACKWOOD
Name (printed or typed)

My appointment expires: 9/9/07



Owner's Acknowledgment:


STATE OF WASHINGTON)

SS.

County of King)

I certify that I know or have satisfactory evidence that **Theresa McCallum** 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 acknowledged it as the **Executive Director of Housing Authority of the City of Anacortes**, acting in its capacity as **Managing Member of The Wilson Hotel Housing LLC** to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

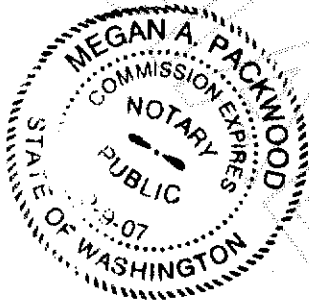
DATED this 20 day of August, 2005.


Notary Public in and for the State of
Washington residing at Seattle.

MEGAN A. PACKWOOD

Name (printed or typed)

My appointment expires: 9/9/07



200509220166

Skagit County Auditor

**EXHIBIT A
TO
SUBORDINATION AGREEMENT**

The Property is located in Skagit County, Washington, and is legally described as follows:

Lots 1, 2, 3, and 4, Block 37, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON," as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

EXCEPT the West 20 feet of said Lot 4.

Situate in the City of Anacortes, County of Skagit, State of Washington.

[end of legal description]

INITIALS



EXHIBIT A

Subord Option ROFR Wilson Hotel HACA 082205



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